

INVESTMENT READINESS PILOT STUDY

ENDLINE REPORT

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EXECUTIVE SUMMARY

The International Organization for Migration (IOM) Enterprise Development Fund (EDF) is an innovative livelihoods approach that provides financial support to Small and Medium Enterprises (SMEs) with 2–30 employees. The EDF is fit-for-purpose in the context of Iraq, where over 60 per cent of jobs are in the private sector.¹ To complement EDF grants, IOM conducted a pilot study to test the impact of training packages for SME owners on business management practices and outcomes including profits and access to formal borrowing mechanisms. The training packages tested in the study include how to open bank accounts, bookkeeping of sales and expenditures, and marketing. This report presents the results of the endline survey that was run in December 2022, in comparison to the baseline round from April 2022.²

The analysis presented in this report is based on a sample of 154 Iraqi SMEs benefiting from EDF grants, who were surveyed in both the baseline and follow-up surveys³. Average monthly sales reported by surveyed EDF recipients grew from 5,501 United States dollars (USD) before the baseline (December 2021–March 2022) to USD 8,153 (+48.2%) in the period preceding

the endline (September–November 2022). Profits also increased from a monthly average of USD 1,715 to USD 2,075 (+21.0%) over the same period. Raw materials and salaries were the most significant expenditure categories for SME owners in both survey rounds, but costs decreased significantly over the period. Employment remained steady, with an average of seven male and two female employees per business.

As part of the pilot study, IOM developed, tested and evaluated new multistep training modules for business owners on marketing, bookkeeping and commitment-based saving.⁴ The results of the study show that marketing training can effectively increase sales, while bookkeeping and commitment-based saving trainings increase the probability of hiring an external advisor or consultant. Moreover, bookkeeping training reduce the likelihood of saving in cash. It is important to note, however, that the pilot was designed as a proof-of-concept and the results are subject to limitations due to the small sample size, resulting in some uncertainty over the size of these effects. To address these limitations, IOM will conduct a full-scale randomized controlled trial based on the lessons learnt from the pilot study.

¹ Central Statistical Organization (CSO), Kurdistan Region Statistics Office (KRSO) and International Labour Organization (ILO) (2022). *Iraq Labour Force Survey 2021*.

² See also IOM (2022). *Investment Readiness Pilot Study: Baseline Report*.

³ IOM targeted 265 Iraqi SMEs for the study and obtained data for 203 SMEs for the baseline. The 265 targeted firms were randomly selected from 1,017 SMEs in the EDF programme. Out of the 203 respondents who completed the survey, 92 per cent had already received the first EDF payment when IOM interviewed them.

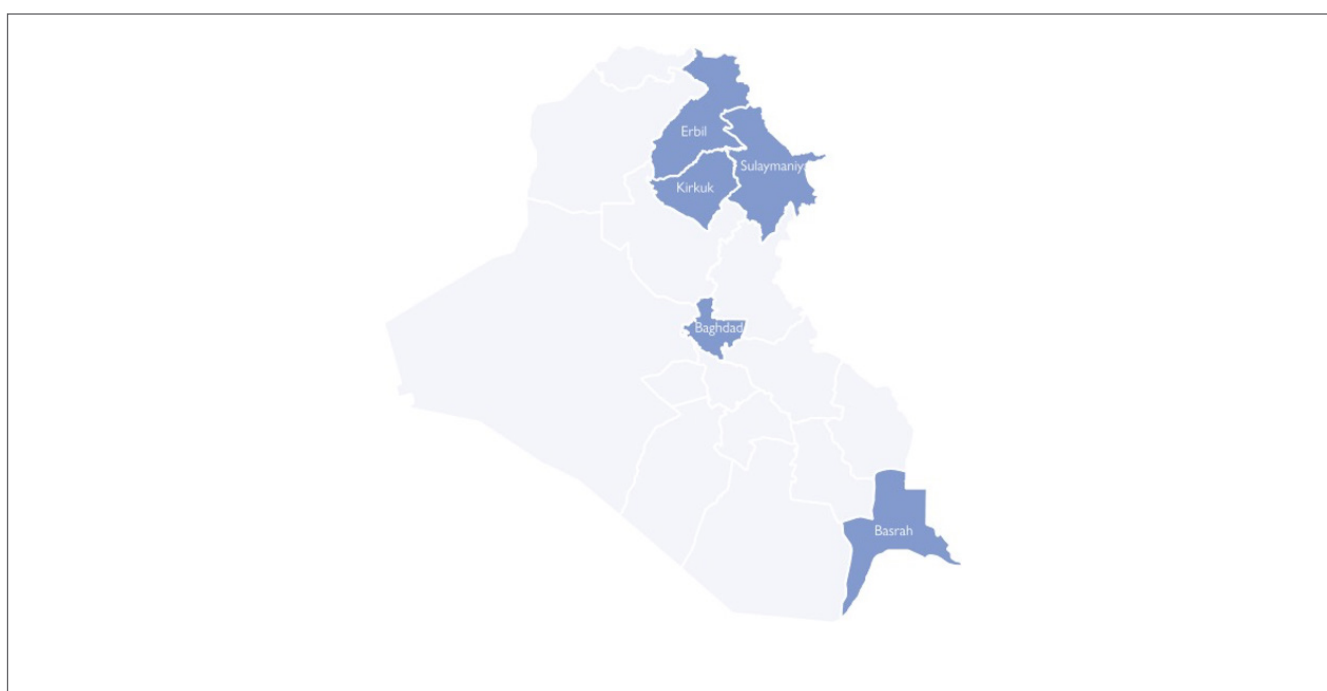
⁴ As shown in the baseline report, most SME owners use personal savings to finance their businesses (89%). However, two thirds of surveyed SMEs stated that saving is challenging, primarily because little income remains after business expenses are paid. Only 22 per cent of firms borrow money through bank loans.

METHODOLOGY

IOM targeted 265 Iraqi SMEs for the study, out of which 203 agreed to participate in the baseline survey which took place between April 12 and April 24, 2022. The firms were randomly selected from 1,017 SMEs accepted into the EDF programme. Out of the 203 respondents who completed the baseline survey, 92 per cent had already received the first EDF payment when IOM interviewed them. The sample was stratified to include firms from Baghdad (20%), Basrah (20%), Erbil

(18%), Kirkuk (20%) and Sulaymaniyah governorates (20%) (Figure 1). In the follow-up survey, 154 SME owners who had taken part in the baseline answered an additional round of questions for the follow-up survey between 26 December 2022, and 5 January 2023. This corresponds to an attrition or dropout rate of 24 per cent between the baseline and endline surveys. Both surveys were conducted over the phone.

Figure 1: Location of SMEs targeted for the baseline and follow-up surveys



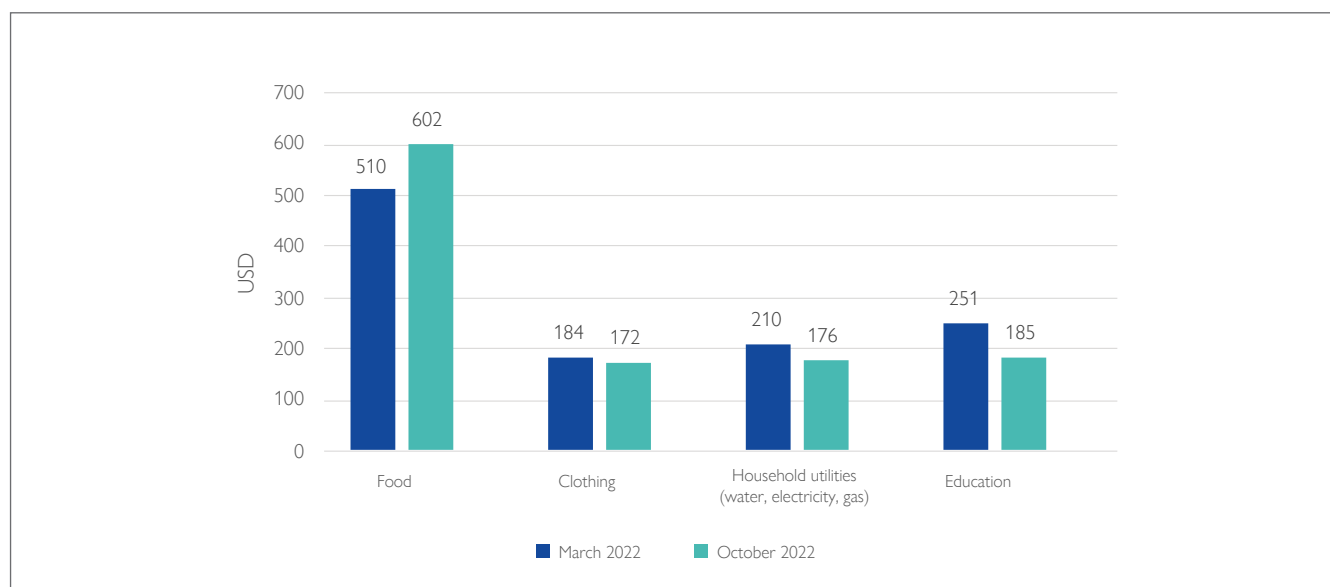
BUSINESS OWNER AND FIRM CHARACTERISTICS

The demographic characteristics of the business owners who participated in the endline survey are generally close, on average, to those surveyed at baseline, suggesting that drop out is not specific to certain groups (differential attrition is not a problem).⁵ Most SME owners are married (85%) or single (13%). Approximately 42 per cent of SME owners reported university degree as the highest level of education, followed by 34 per cent of owners who stated intermediate school as their highest education and 24 per cent reported that their highest education is lower than a high school degree.

On average, SME owners have households with six members, including two children aged 6–17 years. About 53 per cent of the families have at least one income-earning adult besides the surveyed business owner.

Food continued to account for a large share of household expenditure. On average, surveyed SMEs spent on food USD 510 in March 2022 and USD 602 in October 2022, an 18 per cent increase (Figure 2). As many countries in the Middle East and North Africa,⁶ Iraq faced an increase in food prices linked to the market impact of the Russia-Ukraine conflict and increasing fuel prices.⁷

Figure 2: Household expenditure of business owners (in USD)



Note: 154 SME owners in baseline and follow-up survey. Only 99 SME owners answered the question on education expenditure.

On average, the surveyed SMEs have two female and seven male employees. Male workers remained constant between rounds, while female workers increased by a modest 2 per cent from April to December 2022.⁸

Among the firms who participated in both rounds of the study, 37 per cent were registered with the relevant Ministry or the Chamber of Commerce, a key indicator of formality.

Approximately half of these firms plan to renew their registration when it expires.

Most businesses are situated in separate factory buildings (56%) or in the house of the SME owners (23%). Because these estimates are very close to those found in the extended baseline sample of 203 businesses, we can be confident that informal firms were not more likely to drop out of the study than formal ones.

⁵ Table A1 in the appendix shows that the individuals only in the baseline and the respondents in the baseline and follow-up do not differ in characteristics such as married status, education, number of members in the households and location of the business, among others.

⁶ TWorld Bank (2023). *Growth slows for most MEAN economies amid double-digit food inflation*.

⁷ World Food Programme (2022). *Iraq Market Monitor Report*.

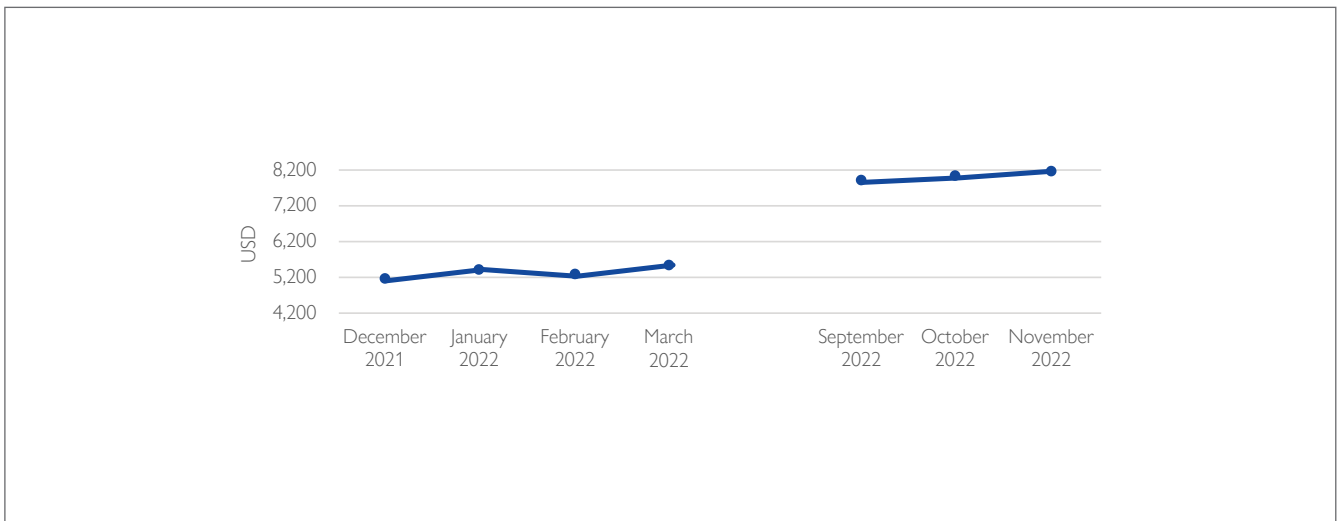
⁸ In the baseline survey, SME owners reported to pay an average salary of USD 601 per month. Only 38 per cent of the firms reported that employees get additional benefits or guarantees on top of their salary. Among the 73 surveyed owners who provide additional guarantees or benefits to workers, 60 per cent issue formal contracts, 51 per cent pay for sick leave days, 21 per cent pay annual leave days, 19 per cent provide social security, and 10 per cent offer maternity leaves.

SALES, EXPENDITURE AND PROFIT

Self-reported average monthly sales calculated over the three months before each survey round increased by 50.8 per cent in nominal value between the baseline

and follow-up survey, going from USD 5,306 for the December 2021–March 2022 period to USD 8,005 for September–November 2022 (Figure 3).⁹

Figure 3: Sales in baseline and follow-up



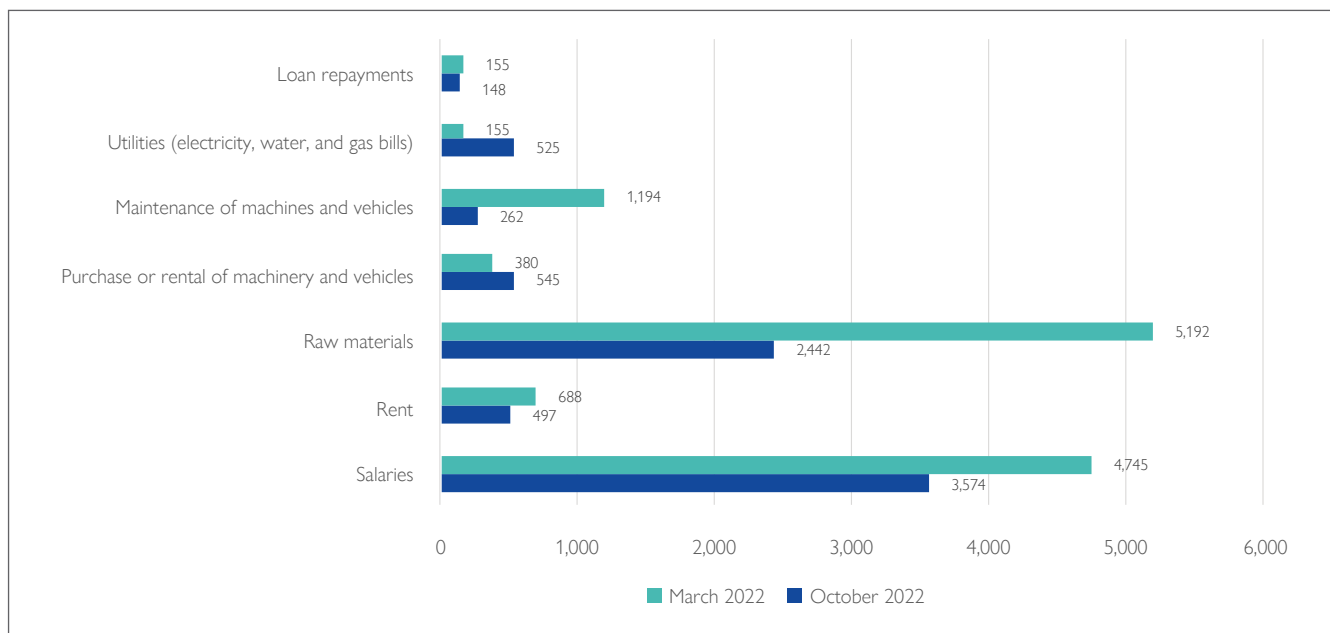
Note: This is a restricted sample of 145 SME owners who sold less than \$100,000 in the period. Sales from December 2021 to March 2022 were reported in the baseline and from September 2022 to November 2022 in the follow up survey.

Raw materials and salaries accounted for most of the firms' self-reported expenditure in both March (baseline) and October 2022 (endline) but saw a significant decrease over time in absolute terms. Reported expenditure on salaries declined by 24.7 per cent while expenditure on raw materials decreased by 53 per cent. While it is not possible to attribute these changes with certainty to any

specific factor, they may reflect improved accounting or efficiency among EDF beneficiaries. Expenditure on utilities and purchase of new machinery increased on average between the baseline and the follow-up, while the money spent to cover maintenance of machines and rent declined (Figure 4).

⁹ Sales are defined as the total value earned through the sale of goods and services by the business, without considering the expenses.

Figure 4: SME expenditures (in USD)

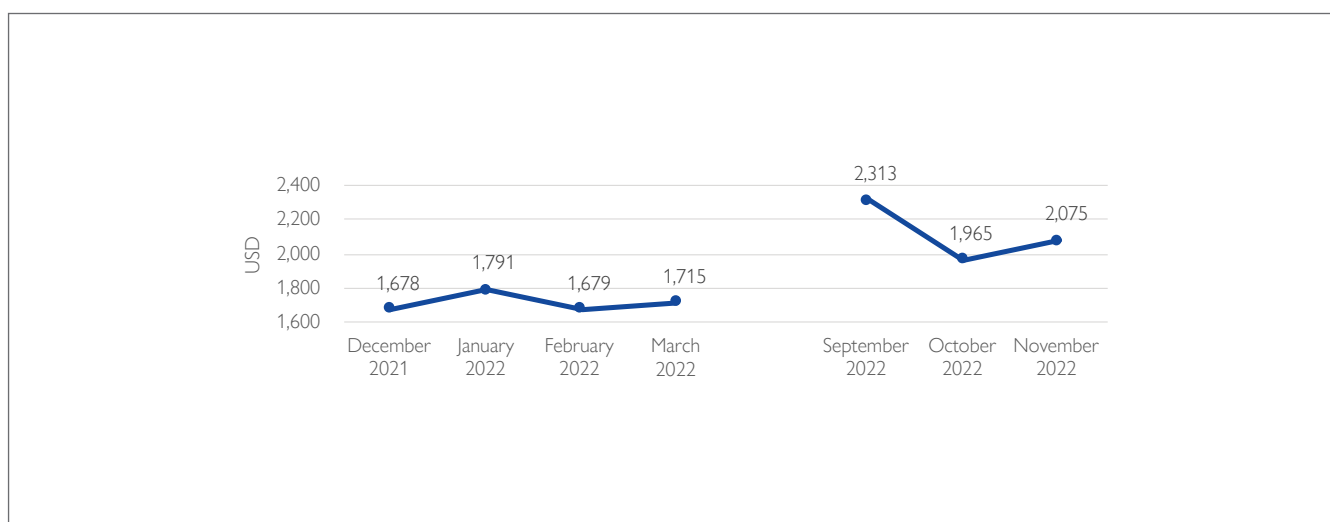


Note: 154 SME owners that answered both baseline and follow-up survey questions. The long tail of the raw materials come from outliers in the baseline. The expenditure on raw materials does not include two businesses that reported the raw materials are greater than the 99th percentile.

Self-reported profits, defined as income minus expenses, increased went from a monthly average of USD 1,715 for the December 2021–March 2022 period to USD 2,118 for September–November 2022, an increase of 23 per cent between the baseline survey and the follow-up survey. On average, the highest profit increase comes from September 2022, when profits reached USD 2,313 (Figure 5). Profits followed a similar increasing

trend to sales. However, while sales grew steadily during the study period, profits were more volatile as they decreased from the September peak to USD 1,965 in October 2022. SME owners reported several uses of their profits. About 59 per cent of the SME owners used the profit for business savings, 51 per cent reinvesting them in capital expenditure, and 57 per cent buying new raw materials.

Figure 5: Profits in baseline and follow-up



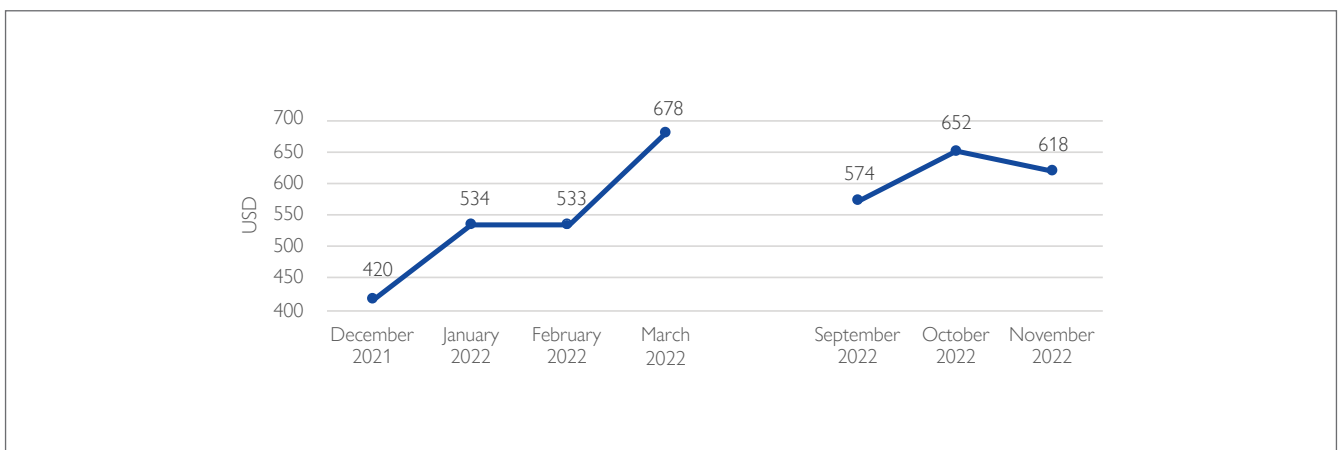
Note: 154 SME owners that participated in both the baseline and follow-up surveys. Profits from December 2021 to March 2022 were collected in the baseline survey and from September 2022 to November 2022 in the follow up survey.

ASSETS AND SAVINGS

For the purposes of this study, fixed assets are defined as long-term assets owned by a firm, used to generate income and kept for at least one year before being converted into cash. Examples include land, building, machinery, office and factory equipment, furniture and vehicle. Current assets, on the other hand, are short-term assets intended to be converted into cash within a year. The value of an asset is the cost of replacing the asset with another one having similar conditions. On average, respondents reported a start-up capital of USD 9,336, fixed assets worth USD 35,585, and current assets worth USD 43,221 at baseline.

Savings increased by 13.7 per cent from a monthly average of USD 541 during the baseline reporting period (December 2021–March 2022) to USD 618 in the endline period (September–November 2022) (Figure 6). Yet, at the monthly level they did not follow the same trend as profits. In September 2022, SMEs reported the highest level of profits (USD 2,313) but the lowest savings (USD 574) in the endline reporting period, on average. Business-related savings increased in October 2022 (USD 652) but declined slightly in November (USD 618).

Figure 6: Business-related savings in the baseline and follow-up surveys



Note: 154 SME owners in the baseline and follow-up survey. Profits from December 2021 to March 2022 were collected in the baseline and profits referring to the period between September 2022 and November 2022 were collected in the follow up survey.

At baseline (April 2022), 66 per cent of SME owners reported keeping cash at home as their preferred way to save money, followed by savings in foreign currency (16%) and commercial bank savings accounts (10%). Over the study period there was a five percentage point increase in the percentage of SMEs who hold a formal savings account with a bank, from 31 per cent in April 2022 to 36 per cent in December 2022.¹⁰ The two most selected reasons for not using formal savings

accounts include the lack of trust in banks (42% reported at baseline and 38% at endline) and a preference for having cash available in case of an emergency (39% at baseline and 38% at endline). The third most selected reason in April 2022 was lack of bank branches nearby (16%), while in December 2022 firms complained that they were unable to find financial services suitable for their businesses (23%).¹¹

¹⁰ A slight change in the format of the questions used in the two surveys to measure this indicator means that the difference should be interpreted with caution.

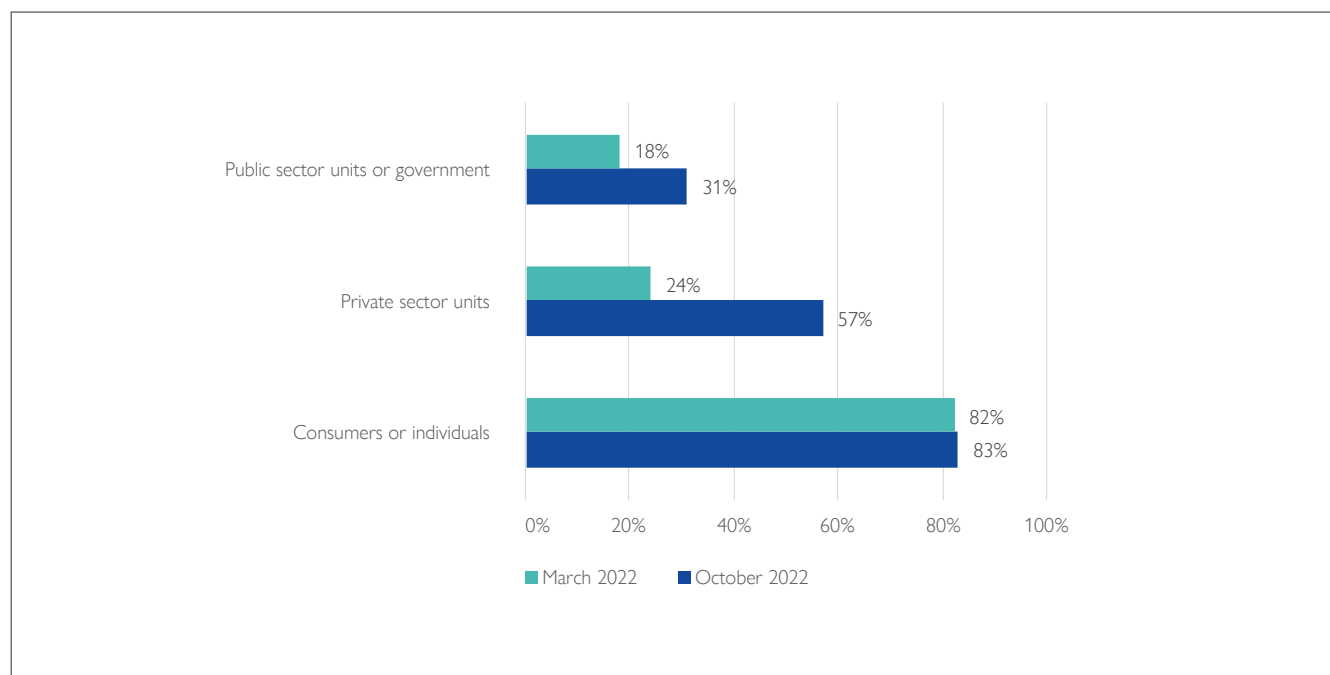
¹¹ In the follow-up, 11 per cent of SMEs said they did not open a savings account because there were no bank accounts nearby. In the baseline, only 3 per cent of surveyed firms stated they could not find appropriate financial services. The scale-up will explore the reasons behind.

MARKETING

In both survey rounds, most SME owners reported serving private individuals as primary customers (82% and 83% respectively). Between March 2022 and October 2022, selling to other private sector businesses

increased from 24 per cent to 57 per cent, and sales to the public sector rose from 18 per cent to 31 per cent (Figure 7). This increase may indicate that firms were able to expand their services in more formal markets.¹²

Figure 7: Major customers of SMEs' products and services



Note: 154 SME owners in baseline and follow-up survey.

Approximately half of the SME owners developed a marketing strategy for their business by October 2022, since it was launched (48%). As their main advertising channels, firms relied on social media (68%), business websites (53%), storefronts (50%), and word of mouth (42%).

A comparison between the baseline survey and follow-up survey results shows that 65 per cent of the SMEs who have a marketing strategy improved it between March and October 2022.¹³

¹² Given the lack of a suitable control group of non-beneficiaries for the EDF grant, it is not possible to attribute this change to EDF grants or to more general economic recovery.

¹³ In the follow-up, 77 per cent of SME owners seek feedback from current or former customers, and 76 per cent of firms have done any form of advertising since their started the business.

BUSINESS MANAGEMENT PRACTICES

Keeping annual records of income, expenditure, cash flows, assets and liabilities was the most common business management practice reported at baseline in April 2022 (61% of firms). SME owners also reported paying bills and debts on time (54%), keeping business accounts separate from their personal accounts (51%), and asking consumers' opinions about the quality of the firms' products (37%). These four management practices highlight the importance of learning how to record business-related information precisely and comparably over time.

Many SME owners are also actively seeking consumer feedback to increase the quality of their goods and services.

Thirty-two per cent of firms in the baseline and follow-up surveys expressed an interest in intellectual property (IP) protection for their products. The firms looking for IP protection are planning to apply for trademark (40%), for patents (35%) or for industrial design rights (34%).



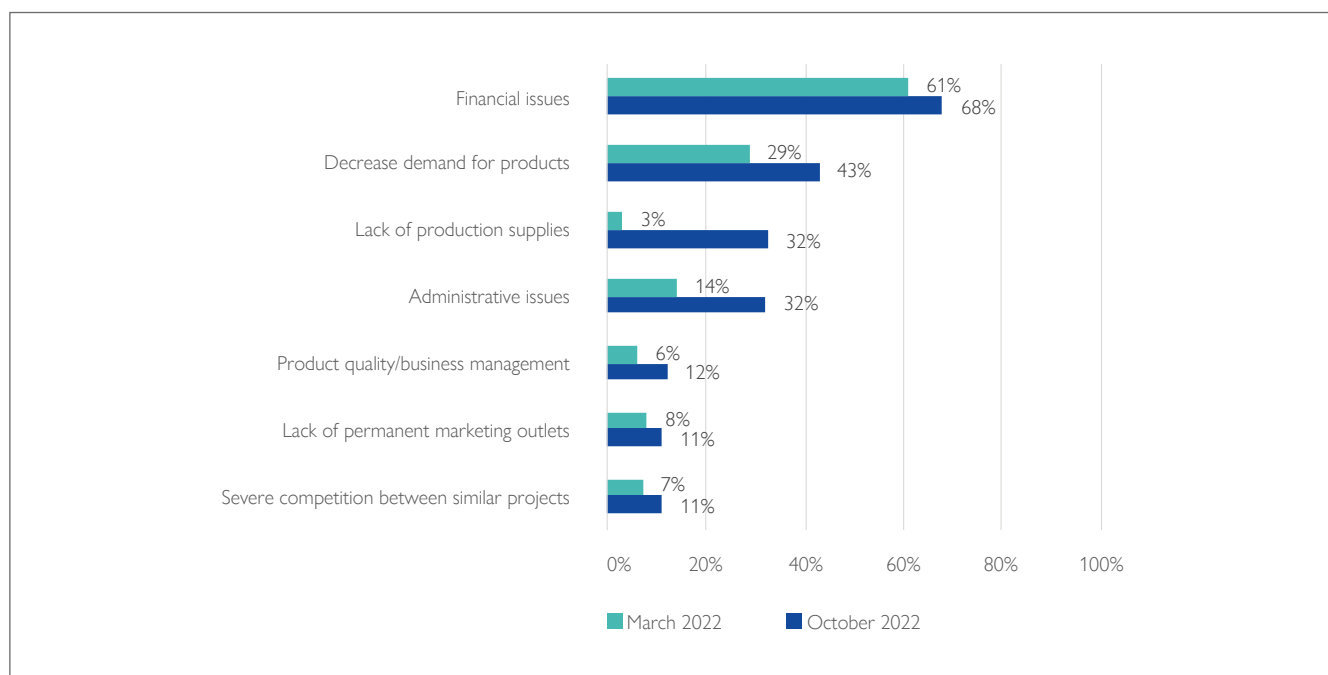
CONSTRAINTS AND EXPANSION

In both March and October 2022, most firms reported financial issues as the main barriers to the growth of their profitable business in Iraq (61% and 68% respectively, Figure 7). The seven percentage points incremental increase in SME owners reporting financial constraints from the baseline to the follow-up is notable given the growth in sales and profits over the same period. It suggests that, as businesses expand, their demand for financial services may increase as they try to smooth extra volatility in profits. Yet, most firms struggle to access loans from banks and other formal financial providers. At baseline, only 22 per cent of SME owners used loans as a source of financing, compared to 77 per cent self-financing using family or personal savings.

Among firms with formal loans, 62 per cent of the firms borrowed money from microfinance organizations and 24 per cent from wholesalers.

Financial issues are not the only constraint that became more common between March and October 2022. The proportion of firms reporting that a lack of production supplies constrained business profitability jumped from 3 per cent at baseline to 32 per cent at endline (Figure 8). There was also a 14 percentage points increase in the proportion of businesses reporting decreased demand for their products between the baseline and the follow-up. These findings suggest the presence of both upstream (input supply) and downstream (output distribution) bottlenecks in value chains.

Figure 8: Constraints to make the business more profitable



Note: 154 SME owners in baseline and follow-up survey. Multiple choice question.

Just over half of the SME owners stated that they would use private savings to fund the expansion of their business, with a slight decrease from 60 per cent in the baseline to 55 per cent in the follow-up. Yet, because of the limited sample size in the pilot, the difference is not statistically significant and corresponds to an absolute decrease of just two businesses in the sample. Asset

liquidation also became less common as a financing strategy (18 firms or 12% in baseline compared to 9 firms or 6% in the endline). On the other hand, the share of firms planning to use formal loans to finance business expansion increased from 16 per cent (24 businesses) to 25 per cent (39 businesses).

INVESTMENT-READINESS INTERVENTIONS

IOM developed an investment-readiness programme to help SME owners attract investment by private financial providers and expand their businesses. The programme is based on evidence from several high-quality studies showing that investment-readiness interventions can effectively improve business outcomes for SMEs facing funding constraints.¹⁴ IOM's livelihoods technical team adapted for the Iraqi context two training modules on bookkeeping and marketing from the International Labour Organization (ILO) Start and Improve Your Business methodology. Within the framework of this inter-agency collaboration, IOM staff also participated in a training of trainers delivered by the ILO. An additional module was designed by IOM to promote commitment-based saving among business owners.

The **bookkeeping** module supports firms in identifying essential records for their businesses and keeping them in an orderly manner. It also shows them how to use the records to improve business performance. Over the course of a two-day training, participants were taught

how to record their activities and transactions in simple ways, including techniques to record cash flows, costs, sales, debts, inventories, salaries and asset records, and agreements with suppliers and customers.

The **marketing** session explained how entrepreneurs could increase sales by attracting and retaining customers. The two-day trainings also showed how to position products in the market, compete with other suppliers, and find new markets for products and services.

Regarding the **commitment-based saving**, IOM staff helped each business owner develop their savings plan and provided a monetary incentive at the end of the session for those who achieve their targets. Participants developed savings plans tailored to their needs for a period of 3–18 months, with a minimum goal of USD 500. IOM staff monitored the firms' savings progress at regular intervals and provided a reward worth USD 200 conditional on business owners achieving their goals.

¹⁴ According to the literature, investment-readiness programmes have proven effective at bridging gaps in access to private finance. For example, Cusolito et al., (2021) "Can Government Intervention Make Firms More Investment Ready? A Randomized Experiment in the Western Balkans". McKenzie and Woodruff (2021) "What are we learning from Business Training and Entrepreneurship Evaluations around the Developing World". McKenzie (2021) "Small Business Training to Improve Management Practices in Developing Countries: Re-Assessing the Evidence for 'Training Doesn't Work'".

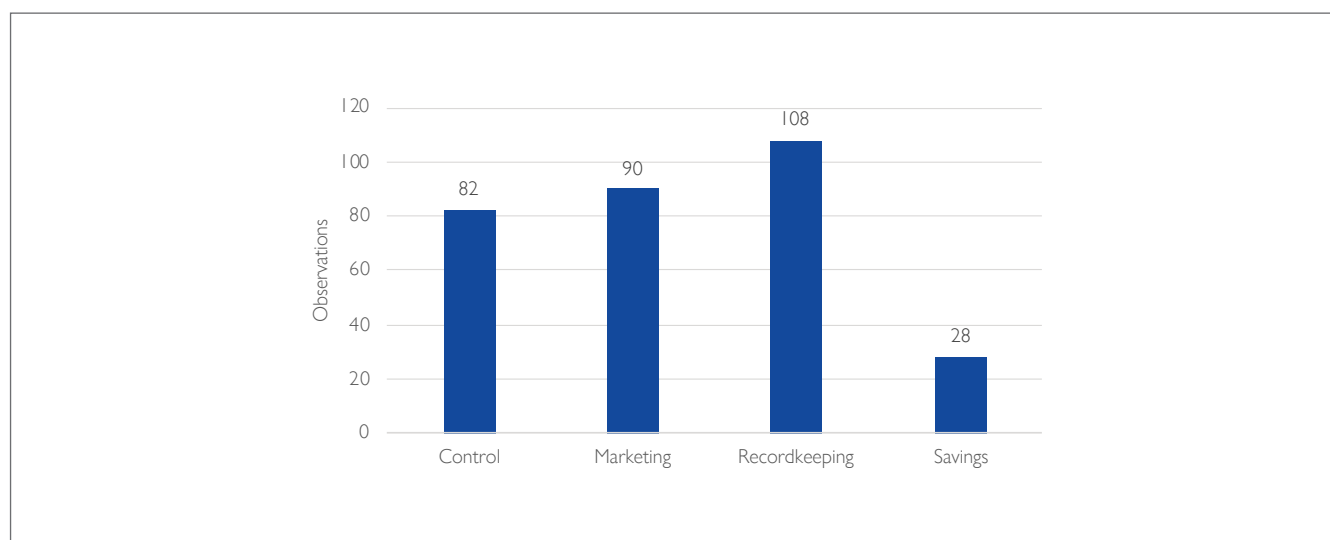
¹⁵ Statistical power is the probability that the study will find a statistically significant difference between the outcomes of the treatment and control groups when an actual difference does exist. Larger samples provide more power to detect small effects.

The pilot study was developed in partnership with researchers at the University of Oxford as a proof-of-concept to test these three interventions in preparation for their roll-out in a full-scale randomized controlled trial (RCT) among EDF grant recipients. The descriptive analysis presented in the previous sections illustrates the relevance of investment readiness programming for SMEs in Iraq, suggesting that there is unmet demand in the market for savings solutions and an information need for bookkeeping and marketing trainings. To test the effect of these investment-readiness interventions, SME owners participating in the study were randomly

assigned to the commitment-based savings module (28 firms), record keeping training (108) and marketing training (90). Fifty-two per cent of the sample received no information and served as the control group for the study (Figure 9).

The findings of the pilot should be interpreted with caution given the limited sample size of the study. Some effects of the interventions may not be detected as statistically significant due to the lack of statistical power.

Figure 9: Sample distribution by treatment group



EFFECT ESTIMATES: ONE TREATMENT AT A TIME

The first set of results was estimated by ordinary least squares using one treatment at a time. The models compare SME owners who attend one of the sessions

(that is, bookkeeping, marketing and savings) with those who did not participate in any session. The following equation shows the general form of the model:

Equation 1

$$y_{if} = \alpha + \beta_1 T_i + \gamma_{gs} + \epsilon_{if}$$

The dependent variable in the equation is a primary outcome for firm *i* in the follow-up (denoted by *f*). There are three primary outcomes: sales, expenditures, and profits. The dependent variable can also take the value of intermediate outcomes such as planning marketing strategies, interest in financial partners, use of business management practices or planning business expansion. *T_i* is a dummy equal to one if the firm *i* took a training and zero otherwise. The equation includes fixed effects for governorate and firm size (that is, a dummy with 10 categories coming from five governorates times two firm sizes denoted by γ_{gs}).¹⁶ The standard errors are robust and clustered at the firm size level.¹⁷ The most relevant parameter is β_1 , which shows the average causal effect of each treatment on a specific outcome.

Table 1 presents the results of estimating the equation above. Each column estimates one treatment at a time.

The control group is the same in each column, but the treatment group differs across columns.¹⁸ The dependent variable in the three columns is the logarithm of the average sales between September 2022 and November 2022.

Column 1, in Table 1, shows sales increased by over 50 per cent for SME owners participating in the marketing treatment as compared to the firms in the control group. The coefficient is statistically significant at 10 per cent. Columns 2 and 3 show no statistically significant difference in sales between receiving or not receiving the treatment. For marketing, the size coefficient is economically relevant, and the level of significance should be interpreted with the caveat that only 77 observations are included the regression. The full-scale RCT will provide more robust evidence about the effect of the treatment on the primary outcomes.

Table 01: Effect of treatment on sales (one at a time model)

Dependent variable: Log of average sales between September 2022 and November 2022			
	(1)	(2)	(3)
Marketing Training	0.55* (0.24)		
Bookkeeping Training		-0.08 (0.32)	
Savings Trainings			0.19 (0.33)
Observations	77	81	47
Mean of the dependent variable in the baseline	8.54	8.54	8.54

Note: The omitted variable in each group is the control group. The parameters are interpreted with respect to the control group. Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

In the appendix, Table A2 estimates the equation above using one treatment at a time for profits as the dependent variable. The results show no statistically significant difference between the treatment and control groups. These ‘no results’ have the same caveats as the previous finding that marketing increased sales. The number of observations is too small to address the noise in the outcomes and identify a reliable standard error to reject (or not reject) the hypothesis that treatments were effective. By increasing the sample size, the model will have more power to detect the effect of the treatment(s).

For intermediate outcomes, Table 2 estimates Equation 1 using as the dependent variable a dummy equal to one for firms interested in hiring external help for their business operations. On average, SME owners who attend bookkeeping sessions are 16 percentage points (pp) more likely to hire a consulting or advisory service for their business than firms that did not receive the training. The effect is statistically different from zero with 10 per cent significance. The treatments have no statistically significant impact on other outcomes such as expenditure, interest in adopting new marketing strategies, finding financial partners, changing business management practices and plans to expand the business operation.

Table 2: Effect of treatment on intermediate outcomes (one at a time model)

Dependent variable is a dummy variable equal to one for hiring external help			
	(1)	(2)	(3)
Marketing Training	0.13 (0.11)		
Bookkeeping Training		0.16* (0.07)	
Savings Trainings			-0.07 (0.05)
Observations	77	81	47
Mean of the dependent variable in the baseline	0.12	0.12	0.12

Note: The omitted variable in each group is the control group. The parameters are interpreted with respect to the control group. Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

16 The first dimension of stratification is governorate and it has five categories. The second dimension is firm size and it has two categories. Statistical power is the probability that the study will find a statistically significant difference between the outcomes of the treatment and control groups when an actual difference does exist. Larger samples provide more power to detect small effects.

17 The standard errors are clustered at the firm size since the randomization is within small and large firms (that is, selecting small firms, randomizing the treatment for only small firms and repeating the process for large firms). See Abadie et al. (2023). When should you adjust standard errors for clustering? QJE, for details.

18 The first column compares SME owners in the marketing session with those in the control group, the second column firms in the bookkeeping session with the control group, and the third column businesses participating in the savings session with firms in the control group. The difference in the number of SME owners in the three treatment groups is the reason behind the different number of observations in each column.

ANALYSIS OF COVARIANCE (ANCOVA) MODEL

The ANCOVA model shows how the dependent variable changes after variation in firm characteristics. The model reduces the error in the estimations since it includes all the dummies at the same time and increases the statistical power to detect small effects of the trainings. The following linear model is estimated by ordinary least square, including one dummy variable per

treatment¹⁹ (marketing, record keeping, and savings). The omitted variable is the control group, which means that the coefficients can be interpreted as the difference between firms receiving a certain type of intervention relative to the firms that did not receive any investment readiness intervention.

Equation 2

$$y_{if} = \alpha + \beta_1 \text{marketing} + \beta_2 \text{bookkeeping} + \beta_3 \text{savings} + \theta y_{ib} + \gamma_{gs} + \epsilon_{if}$$

As in the previous model, the dependent variable is a primary or secondary outcome for firm i in the follow-up. The equation controls for the values of the outcomes at baseline (y_{ib}) and fixed effects for governorate and firm size (γ_{gs}). The standard errors are robust and clustered at the firm size level. The most relevant parameters are the betas showing the average causal effect of each treatment on a specific outcome.

Table 3 presents the betas from the equation above for three different dummy variables: hiring external help for consultant services in Column 1, saving in cash in Column 2, and having a marketing strategy in Column

3. SME owners who received the savings treatment are 15 pp more likely to hire an external partner to receive advice about the operation of their businesses than firms in the control group (β_3). SME owners who obtained training on record keeping are 23 pp less likely to save in cash than businesses who have yet to receive the information (β_2). In Column 3, where the dependent variable is a dummy equal to one for having a marketing strategy, the results are not statistically significant from zero.²⁰ However, the coefficients are in the right direction and show an increase in the probability of having a marketing strategy after receiving each treatment: marketing, record keeping and savings.

Table 3: Effect of treatment on intermediate outcomes (ANCOVA model)

Dependent variable is a dummy variable equal to one for hiring external help			
Dependent variable (Yes or No question):	Hiring external help (1)	Saving in cash (2)	Having a marketing strategy (3)
Marketing Training	0.08 (0.07)	-0.17	0.03 (0.17)
Bookkeeping Training	0.14 (0.05)	-0.23* (0.03)	0.02 (0.17)
Savings Trainings	0.15** (0.01)	-0.06 (0.10)	0.09 (0.15)
Observations	154	151	154
Baseline: mean dependent variable	0.12	0.81	0.77

Note: The omitted variable is the control group. The parameters are interpreted with respect to the control group. Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

For primary outcomes, Table A3 in the appendix presents the betas from the equation above for three different outcomes: sales in Column 1, total expenditures (adding raw materials, salaries, and others) in Column 2, and profit in Column 3.²¹ The three variables show

the median value from September 2022 to November 2022 to control for the seasonality of these variables (for example, sales could be lower in September than in November). The coefficients are not different from zero in a statistically significant way for any of the variables.



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¹⁹ Each dummy variable is equal to one if a business owners is assigned to receive the specified treatment, and 0 otherwise.

²⁰ Statistical significance means the results in the data are not explainable by chance alone. Statistical hypothesis provides a p-value, which is the probability of observing results as extreme as those in the data, assuming the results are truly due to chance alone. A p-value of 5 per cent or lower is often considered statistically significant.

²¹ Table A4 in the appendix presents a logarithm transformation of sales, expenditure and profit.

CONCLUSION

The United Nations Sustainable Development Cooperation Framework (*UNSDCF*) for Iraq aims to support the country's efforts towards achieving sustainable development by 2030. The framework recognizes the importance of private sector investment in achieving sustainable development and seeks to promote an enabling environment for investment, particularly in sectors that contribute to sustainable development and for SMEs. This pilot study provides new insights on how to promote SMEs' investment readiness in line with the strategic goals outlined in the framework.

The study shows an increase in sales and profits and a decline in expenditure among surveyed EDF firms between April 2022 (baseline survey) and December 2022 (endline). The pilot also analysed the effects of providing training on marketing strategies, bookkeeping and commitment-based saving on primary outcomes such as sales, expenditures and profits, and intermediate outcomes including hiring external consultants, creating new expansion plans and finding new investments.

The pilot findings show that an increase in the probability of hiring an external consultant from receiving bookkeeping sessions or commitment-based saving, an increment in sales from participating in marketing sessions and a reduction in the likelihood of saving in cash from bookkeeping training.

This study provided valuable insights into the feasibility of conducting a full-scale randomized controlled trial (RCT) to rigorously evaluate the impact of investment readiness interventions in the context of Iraq. The pilot study's limitations, including issues related to statistical power, emphasize the need for more rigorous research to confirm the preliminary findings presented in this report. Overall, the pilot study provides a foundation for future research to build on and deepen our understanding of the factors contributing to the development of SME owners. The results of the study will also inform IOM's efforts to support economic recovery in displacement-affected and return areas across Iraq by continuing to provide concessional finance and training for SMEs.



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APPENDIX

Table A1: Different in means between the baseline and follow-up surveys

Sample	Only in baseline round		In baseline and follow-up			
Variables	Mean	Standard deviation	Mean	Standard deviation	Difference	Ho: Difference = 0
Number of family members	5.94	2.67	2.47	5.47	0.47	0.29
Number of children	1.94	2.12	1.84	2.13	-0.19	0.57
People producing income in the household	0.97	1.36	0.97	1.02	-0.05	0.80
Dummy variable equal to one for:						
married respondents	0.84	0.36	0.43	0.77	0.08	0.18
respondents with intermediate or fewer years of school	0.43	0.50	0.46	0.30	0.13	0.11
businesses operating in workshops or factories	0.56	0.50	0.48	0.66	-0.10	0.22
businesses having only one branch	0.83	0.38	0.43	0.77	0.07	0.32
businesses registered in the Ministry of Commerce	0.63	0.48	0.49	0.62	0.01	0.87
businesses which review the registration	0.50	0.50	0.47	0.68	-0.18	0.03

Table A2: Effect of treatments on profits (one at a time model)

Dependent variable: Log of average profit between September 2022 and November 2022			
	(1)	(2)	(3)
Marketing Training	0.24 (0.28)		
Bookkeeping Training		-0.09 (0.20)	
Savings Trainings			-0.05 (0.29)
Observations	77	81	47
Mean of the dependent variable in the baseline	7.1	7.1	7.1

Note: The omitted variable is the control group. The parameters are interpreted with respect to the control group. Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table A3: Effect of every treatment on the primary outcomes (ANCOVA model)

From September 2022 to November 2022			
Dependent variable: Median	Sales (1)	Expenditure (2)	Profit (3)
Marketing Training	-6389 (4319)	-386 (645)	171 (270)
Record Training	15797 (15437)	4497 (2514)	2175.08 (1847)
Commitment-based saving	693 (4776)	-362 (1808)	93 (428)
Observations	154	154	154
Baseline: mean dependent variable	15,408	7,274	2,119

Note: The omitted variable is the control group. The parameters are interpreted with respect to the control group. Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. For primary outcomes, Table 1 presents the betas of each coefficient from the equation above for three different outcomes: sales in Column 1, total expenditures (adding raw materials, salaries, and others) in Column 2, and profits in Column 3. The three variables show the median value from September 2022 to October 2022. After calculating the median value, the logarithm was calculated instead of numbers in levels to avoid the impact of outliers that could bias the results.

Table A4: Effect of every treatment on logged primary outcomes

From July 2022 to October 2022			
Dependent variable: Log of median	Sales (1)	Expenditure (2)	Profit (3)
Marketing Training	-0.33 (0.12)	-0.12 (0.14)	0.04 (0.30)
Bookkeeping training	0.28 (0.13)	0.05 (0.13)	0.25 (0.29)
Commitment-based saving	-0.14 (0.23)	-0.36 (0.08)	0.03 (0.10)
Observations	147	151	148
Baseline: mean dependent variable	8.54	8.25	7.10

Note: The omitted variable is the control group. The parameters are interpreted with respect to the control group. Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. For primary outcomes, Table 1 presents the betas of each coefficient from the equation above for three different outcomes: sales in Column 1, total expenditures (adding raw materials, salaries, and others) in Column 2, and profit in Column 3. The three variables show the median value from September 2022 to October 2022. After calculating the median value, the logarithm was calculated instead of numbers in levels to avoid the impact of outliers that could bias the results.



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