

IOM IRAQ

SUPPORTING FEMALE ENTREPRENEURS IN IRAQ



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TABLE OF CONTENTS

Introduction	4
EDF Process Overview	4
Methodology	6
Context Overview	6
Findings	7
Expression of Interest Stage	7
Verifications Visits, Applications, and Investment Committee Stages	8
Disbursement and Milestone Verification Stage	8
Conclusions and Recommendations	10

INTRODUCTION

The International Organization for Migration (IOM) Enterprise Development Fund (EDF) is an innovative livelihoods approach to contribute to economic recovery and private sector revitalization in Iraq through tailored support to Small and Medium Enterprises (SMEs). The EDF aims to restore and develop essential economic infrastructure by providing financial capital to SMEs (3–50 employees) in primary and secondary economic sectors. By targeting key sectors and providing necessary funding, the EDF encourages rapid but also large-scale job creation.

Since 2018, IOM's EDF has provided capital to Iraqi SMEs who have provided full-time, paid employment to 753 women. Launched in 2021, the EDF-w targets businesses owned by women or businesses that employ a majority female workforce to increase the representation of female business owners and to encourage women's participation in the labour force. This ensures that women are supported to meaningfully engage in mainstream economic recovery and development in Iraq, through both supporting female-led firms and the entry into the labour force of female job-seekers.

In 2020, IOM undertook a feasibility study which determined that women need additional support to grow their businesses. Restrictions to women's freedom of movement and decision-making in business investments highlighted factors that restrict businesses from reaching their full potential. The assessment pointed to the importance of savings, technical support, and networks, as well as trainings and access to capital, which are often not available to women¹.

To further tailor IOM's support to female entrepreneurs in Iraq, this assessment will analyse its current EDF processes for female EDF grantees and evidence on what works to economically empower women. This assessment explores the challenges that women experience through the different stages of the EDF process, namely from pre-Expression of Interest (EoI) submission to milestone completion.

While a regression model based on EDF application data (as of August 2021) determined – despite being overall very weak – that being a woman was negatively correlated and significant with being rejected - which points to the fact that EDF is less likely to reject female businesses (compared to male businesses) - there is still room for further improvements in female inclusion into the EDF.



1 IOM, Funding Women's Participation in the Labour Force, 2021, http://edf.iom.int/Content/PublicationFiles/EDF-w%20report_V4.pdf

EDF PROCESS OVERVIEW

Through a call for expression of interest SMEs are encouraged to submit an EoI through outreach campaigns that may include information on social media, Q&A sessions and video tutorials in the selected districts. Several workshops are usually conducted by IOM field staff, who will clarify the selection criteria and application package requirements; offer advice and consultations to SME owners who would like to apply; and guide or assist owners (for example, if they are illiterate) in filling and submitting the application package.

The livelihoods teams subsequently review the received applications to ensure these meet the minimum eligibility criteria, which include pre-conflict business operativity or

preestablished criteria, businesses receive a score (calculated through a grant algorithm) and are ranked. The long-listed businesses are then checked on site to ensure the veracity of the information provided. Based on the outcome of the visits, a shortlist of applicants is created and these are invited to submit a full proposal inclusive of a detailed business plan.

During the selection stage, an investment committee composed of senior IOM staff reviews the full applications, which now include a detailed business plan. Two key criteria are central to the selection phase, namely the potential for full-time job creation and the sustainability of the business, in addition to the business score generated by the grant



alignment of the sector in question to the sectors listed as eligible in the call for proposals. Preference is given to SMEs that demonstrate positive social as well as economic impact, sustainability, innovation and the participation of vulnerable groups, including displaced persons and returnees. The EOI provides the opportunity for SMEs to indicate their nationality, number of employees, plans on how they intend to use the grant, social impact and experience over the last four years. Businesses are also asked to indicate their contribution to the project.

All of these aspects inform the scoring mechanism, which determines the most qualified businesses. Based on the

algorithm. Based on the information received in the application, the site visit findings, and the documentation verification, the committee selects SMEs that align most closely with the EoI criteria.

IOM subsequently notifies the winning SMEs, and an agreement outlining the responsibilities, milestone-linked disbursement schedules, and performance indicators, is drafted. IOM and the SME will meet to discuss the type of business development support they will receive through the grant, based on the information gathered through the questionnaires, site visits, interviews and the preferences of the applicant. All businesses who receive the grant

are required to take an EDF business orientation session that includes marketing advice, environmental and safety considerations, as well as a session on labour standards provided in cooperation with the Chamber of Commerce or the Ministry of Labour and Social Affairs.

The grant is released in installments based on a set of mutually agreed milestones, which often include infrastructure rehabilitation, purchase of machinery, or the increase in the number of jobs supported within the business. Upon receipt of the business plan, the first instalment is released

to the grantees. By working closely with the selected SMEs, IOM verifies progress towards all the subsequent agreed milestones and disburses the funds accordingly. IOM provides oversight and performance verification of the SMEs; each verification visit also assesses whether the milestones were achieved. Due diligence processes are integrated throughout the lifecycle of the EDF, whereby IOM aims to identify and mitigate against conflict of interest, fraud and other misuse of funds.

METHODOLOGY

Consultations with IOM field teams were conducted in Baghdad, Kirkuk, and Ninewa as well as five interviews with organizations involved in women's empowerment (one international and four local civil society organizations (CSOs)).

Secondary sources, IOM labour market assessments, and data obtained through the different EDF stages were also reviewed.

CONTEXT OVERVIEW

Women tend to work in specific sectors in Iraq, mostly aligned with their gender roles. Despite the high numbers of female-headed households in Iraq, men remain the breadwinners. Examples of female involvement in the economy as provided by key informants interviewed for the IOM labour market assessments, mostly include the food sector (sweets and other types of food preparation, especially from home); the services sector, including hairdressing, beauty salons but also photography and 'wedding-related services'; textile, including tailoring and sewing; trade, especially in retail of women's clothing and cosmetics. The female-owned businesses in all governorates were considered profitable by most key informants. Women also contribute to the agriculture and livestock sectors, including cattle breeding as well as dairy and honey production. Women also tend to work in administrative jobs and in the public sector, especially in healthcare and education, though mostly in urban areas. Also, in urban areas, women tend to work online, in e-commerce or similar lately. Some key informants mentioned that women do not work in Iraq mostly due to the prevailing customs and traditions, which limit women's activities to their nurturing role along the restrictions imposed by sexual segregation prevailing in Iraqi society.

Information specific on women running SMEs in Iraq, especially the challenges they experience, is somewhat limited. According to data from the Investment Climate Report from 2012, which is based on a survey of approximately 1000 enterprises in Iraq, only 7 per cent of sampled firms reported that a woman was one of its main owners.² Within the sample, the incidence of firms with a female as one of the principal owners is markedly higher among large companies (44%) than in small (5%) and medium ones (8%). Firms with female ownership were further found to be markedly more likely to identify tax rates, an inadequately-educated workforce, and competition from the informal sector as serious ("major" or "very severe") constraints. By contrast, firms with only male owners were more likely to identify electricity supply, water, business licensing and operating permits, political instability, and access to land as serious constraints. The same study also found that women made up only 1.1 per cent of senior management in Iraq. The incidence of firms with a female as a senior manager was higher among large firms (11%) than among SMEs (1% of both small and medium-sized firms).

When asked about what prevented them from opening their own business (or seeking employment) IOM LMA jobseekers (165 in total, based on all those surveyed up to July 2020), 78 per cent mentioned lack of capital or 'financial issues'. Only a small number mentioned family or community reasons (5.4%).

² World Bank, 2012

FINDINGS

This section analyses the difficulties women experience through the different stages of the EDF. While some challenges are explored related to one stage, some might apply to more than one phase such as limitations due to social norms and traditions for example, which affect women's ability to conduct business in general.

EXPRESSION OF INTEREST STAGE

Women experience challenges during the EoI, including some challenges which could be ascribed to stages preceding the IOM initial submissions of interest. The major challenge is the lack of capital, which affects a woman's ability to establish a business in the first place. While a lack of capital was mentioned by the jobseekers surveyed for the IOM labour market assessments as preventing them from establishing their own business or find the job they desire, IOM also found that among its grantees, women are able to contribute about USD 5,000 on average compared to the USD 20,000 reported by male business owners.³ Despite this the average amounts granted to men and women do not differ as substantially (USD 15,408 for women and USD 17,767 for men, on average). The latter may point to the fact that women overall have less access to capital.

One CSO interviewee explained that: "Women are usually told that having one job (in the family) is enough, they are asked why are they even trying? And in the community women are always discouraged to run their own business and are told that one day they will have children and will not have time for it." Another interviewee mentioned lack of trust in women's businesses, though without providing further details. A respondent from an INGO mentioned that the major challenge are social norms, customs and traditions, which impact the type of businesses women are involved in, women's working hours, and the place of women's work. In fact, IOM field teams lamented the lack of creativity in women's type of businesses encountered, often involving tailoring, personal care, or food preparation. Field teams also raised the challenges related to cheaper imports, which have hit the textile sector hard that overall tends to employ a lot of women.

If women apply for EDF, they often do not meet the EDF criteria. Women often run micro-enterprises, with none, one or two employees, which excludes them from funding that requires applicants to have at least three employees. In fact, looking into rejection reasons during the Investment Committee Visits (ICVs), the size of the business is often a

reason for rejection among women.

Women often employ family members, which runs against EDF principles which discourages support to family-run businesses. The latter is also apparent during subsequent phases of EDF when women do not pass onto the next stages precisely because of employing mostly family members.

Women often also work in less established businesses and have less experience in managing businesses compared to men, which excludes them from the criterion that sets the age of business at minimum four years of operation. And considering the series of crises, war-related (but not exclusively), businesses in general tend to be less established in some areas. In Ninewa, women were prevented from running businesses in the past, especially due to insecurity, which pre-dated the takeover of ISIL. Field teams also mentioned that through international support, after ISIL was driven out of the area in 2017, livelihood support to women grew substantially. The increase in female-headed households following the war meant that women's engagement in income generation became to some extent inevitable.

Women would often require less than the minimum EDF grant set at USD 5,000. Field teams reported that women often add items to their business plan in order to meet the grant amount criterion, when often those items are not needed or even superfluous in some cases.

Another issue observed by field teams includes women, who want to apply for EDF to establish a business. Educated women and / or women with viable business ideas were identified by field teams, but lacked capital to start a business. A key criterion of EDF includes funding established business only, and in these case such women are not eligible to apply, or apply, nonetheless, and are then rejected.

Outreach activities during the EoI phase experience challenges in reaching women. Overall, outreach activities targeting female businesses in specific are conducted through influential female community members, government departments and CSOs supporting women, through women's enterprises, male allies, and women-friendly spaces. Women's businesses, especially when run from home are less visible and less accessible in general. These limitations contribute to the information on the EoI reaching women late, and sometimes after the EoI has been closed. In fact, some field staff speculated that the time of the EoI, which

³ The calculation is based on 889 applications, 142 female and the rest male-owned businesses

generally runs for two weeks, might be too short for women. Often women do not familiarize themselves with the criteria and rush the submission of the application, the team from Kirkuk reported, this was due to an unfounded fear that the call might close sooner than the actual deadline.

Field teams highlighted the poor understanding of the selection criteria (or disregard of the latter) despite the explanations and materials produced and consequently to numerous applications that simply do not meet the criteria. The latter is not unique to the outreach activities since the EDF process is long and generally poorly understood when communicated to any external audience.

VERIFICATIONS VISITS, APPLICATIONS, AND INVESTMENT COMMITTEE STAGES

During verification visits of the long-listed applicants, men often shift ownership to female family members when an EoI calls for women-owned businesses specifically during calls targeting women-owned and women-staffed business. During the verification visits, women are typically unable to answer verification questions or they provide inaccurate responses and the male family members jump into the interviews to add the missing information. Overall, in such cases women show a great degree of unfamiliarity with the business.

Field teams also mentioned the challenges related to verifying home businesses since at first glance these appear as non-existent, especially when these are situated in “half-empty room in women’s homes.” Verification questions for neighbours, which are included in the questionnaire are also problematic since neighbours often are not aware whether women’s businesses exist. Women often also prefer to keep a low profile, especially among neighbours. Space for expansion and for accommodating new workers might be limited if the business is run from home.

Rejection of businesses from investment committees (based on more than 500 female businesses rejected during the visits) point to the often small scale of the female businesses, which fall under the category of micro-enterprises and therefore more appropriate for the Individual Livelihood Assistance (ILA) support. However, a consistent referral method does not exist and often EDF calls locations do not match with the locations of the ILA.

IOM field teams also mentioned that women experience major problems for preparing a business plan, despite the support applicants receive during the application stage. Women often ask for additional help from family members and as a consequence often do not know what was included

in the business plan causing some confusion during the ICVs. In addition, women are not aware of the prices of the items they need for expansion and often need to rely on men for obtaining such information. In fact, a closer look into the women’s rejection reasons during ICVs, an unclear or poorly conceived business plan appears a major contributor for rejection (and appears in at least half of the rejection reasons among women). While the latter is also present among male business owners, many other reasons for rejection could be found among men.

DISBURSEMENT AND MILESTONE VERIFICATION STAGE

EDF grantees receive the grant in tranches following milestone verifications. A series of challenges were noted during the milestone verifications, which determine the disbursement of the agreed amount in the specified tranche. While women often run successful businesses, they nonetheless experience major challenges in managing the enterprises, field teams noted. In fact, major gaps in knowledge, including in bookkeeping, marketing, and other business-related knowledge were reported and additionally underscored by the CSO interviewees as affecting female entrepreneurs in general.

Field teams mentioned that women sometimes require additional time for purchasing the items listed in the agreement since women sometimes do not know where to purchase such equipment, are not experienced in purchasing it, and often require support from male family members.

While the delayed payment of tranches are currently being addressed by IOM, the latter have gendered consequences as field teams pointed out. Late disbursements might result in the need of a loan, which men might have more access to but not women. As participants pointed out: “This is even more difficult for women, men will sell their car or some old machinery, they will find a way. But not women, for them this is more difficult.”

While poor control over resources is common among women – globally - and the ability to invest in their business might be consequently challenging, IOM addressed this limitation - at least for the grant itself – by allowing little room for diverting the grant and establishing stringent requirements of grant disbursement. Nonetheless, whether a woman’s ability to freely invest in her business is sustained post-grant and over time, remains unknown.

Findings on studies exploring the impact of women economic empowerment on domestic violence remain contradictory,⁴ which points to the fact that GBV might be still possible, especially where approaches for promoting harmonious, egalitarian and violence-free relationships between women and men as part of women's economic empowerment initiatives are missing or the mechanisms for detecting such cases do not exist.⁵ While field teams did not report any cases of GBV, the latter is difficult to establish if one is not trained in it nor questions investigating the latter are not directly or indirectly asked. And considering the fairly high amounts disbursed, an increased risk for GBV, especially outside female-headed households, is likely the case in EDF. CSO

interviewees mentioned coming across such cases where one commented that: "I have heard from people that there are many cases of women being victim of domestic violence due to having a business and a better income (compared to their husbands)." Another CSO interviewee mentioned: "Yes, there is some possibility of domestic violence among women who are involved in women-owned business by their family members, we had one case in our livelihood activities where the mother took the cash support from the beneficiary and didn't allow her to open her business." While IOM's stringent procedures allow little room for diversion of funds, the latter do not single out GBV.



4 Fernet M., Exploring the Impacts of Women's Economic Empowerment Programmes on Domestic Violence, Oxfam, 2019, <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620867/rr-womens-economic-empowement-domestic-violence-120919-en.pdf;jsessionid=C4DF1BB78D7010D0A60A10321637B464?sequence=2>

5 Ibid.

CONCLUSIONS AND RECOMMENDATIONS

The brief assessment established some challenges experienced by female entrepreneurs in Iraq, which were analysed through the different stages of the EDF process. Discussions were held with IOM field teams, who have vast experience in implementing the different stages of



EDF. Issues were highlighted across the timeline of the EDF, including difficulties pre-dating the EoI to issues of sustainability such as a woman's control over resources for investing in the business after the grant.

RECOMMENDATIONS





- As women often require less capital, decrease the minimum EDF amount to USD 3,000. The latter could include a maximum of two milestones.
- As women often run micro-enterprises, allow for one or two employees only, especially for grants under USD 5,000. The latter could involve having different criteria for different grant sizes.
- Since women employ relatives, allow for employment of family members and relatives.
- Decrease the minimum age of operations to two years.
- Women's businesses in sectors atypical for women – therefore excluding food preparation, textile, personal care, and some services such as photography and wedding management – should receive priority funding and therefore consider assigning them a higher score during the EoI stage.
- To better support women, consider also supporting female start-ups. The latter could also move away from support to typically female trades with a focus on more innovative types of businesses. The latter would open the doors for women's involvement in less conventional and possibly more financially rewarding roles.
- In coordination with the community engagement technical team, devise outreach strategies to improve targeting of women during the EoI.
- As some criteria are often difficult to grasp consider revising the current flyers and other EoI-related communications materials. Communicating who should not apply for a specific call should be also considered and ineligible applications should be discouraged.
- Having calls for both male and female enterprises is recommended, especially to avoid shifting of ownership of the business in questions. If a separate call targeting women in specific is conducted, then verification questions should include questions on whether a woman is the actual owner of the enterprise, which could be determined through observation and discussions during the verification visit. However, the EoI should also filter out male businesses to the extent possible, especially in consideration of the high numbers of EoI submissions.
- In order to ensure the support of families, consider introducing an information/sensitization session for the families of the applicants during the application training. While it could be conducted at a later stage, this would require adding another step to an already lengthy process and it is therefore not recommended.
- For home-based businesses, inquiring among neighbours during the verification visits might lead to rejection therefore seeking other types of 'references' is recommended.
- Add a note into the verification form and ICV form for referral of the business into ILA, in case a future call is opened in the area.
- Since preparing a business plan remains challenging, offer additional support for business plan preparation. The latter could include support/feedback before submission.
- Considering the low level of knowledge in business management, bookkeeping and other business-related knowledge, trainings should be offered to women. The latter especially applies to smaller businesses where capacity is likely much lower.
- It is recommended to support women also through 'bundled services' such as networks, technical assistance, savings, and other means as outlined in the IOM assessment Funding Women's Participation in the Labour Force.'
- Ensure timely payments of milestones.
- Allow for additional time for item purchases.
- In consideration of the low employment prospects and lack of skills among women, incorporate on-the-job training service provision among EDF grantees, especially

among those with larger businesses, who applied for grants above USD 5,000. The potential on-the-job training providers could be identified during the EoI stage by adding a question on their willingness to offer on-the-job training and could follow procedures established in the ILA SOPs for on-the-job training service provision.

- In coordination with the IOM GBV Focal Point or Protection Unit, devise a strategy for GBV protection within EDF (and livelihoods programming in general). The latter could include inquiring on GBV during milestone verifications with referrals made available to the grantees. The latter would also require training of staff and ensuring that at least one milestone is verified by a female IOM employee.
- In light of the additions on GBV, conduct a staff training on GBV and ensure a female employee conducts at least one milestone verification.
- In a context like Iraq, it is also recommended to work with entire families rather than focusing on women only. Evaluations of programmes in similar contexts showed positive outcomes in terms of GBV reduction and increased earnings with livelihood programmes that involved both female and male family members (working together). The latter might be especially appropriate in the agriculture sector where also the majority of Iraqi women work.
- Conduct an evaluation looking into the different women empowerment components and into sustainability, such as ex-post control over resources in non-female headed households. Ensure that whether a grantee is the head of household is properly documented since the EoI stage.

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