

Enterprise Development Fund (EDF)-Tameer

LESSONS LEARNED

November 2023



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INTRODUCTION

The EDF-Tameer (EDF-t) focuses on supporting businesses of returnees who returned to their area of origin, that were destroyed during the ISIL conflict. The grant provides employment opportunities in areas of high displacement and high returns for vulnerable community members. Amounts granted start at USD 5,000 and may reach up to USD 30,000.

EDF-t eligibility criteria include the following:

- The business should have been operational before 2017 or had an active period of no less than four years;
- The business closure should be linked to the political events between 2014 – 2017;
- Completely destroyed / non-operational businesses may also apply;
- The business should re-open within the original governorate;
- The business should be owned and managed by an Iraqi national.

As part of the programme “Local Economic Recovery for Women and Conflict-Affected Populations in Iraq”, funded by the Ministry of Foreign Affairs of Finland, IOM conducted a lesson learned exercise for EDF-t¹ to explore the challenges and provide recommendations for improving the support of beneficiaries in areas of return. Also, the lessons learned explore some potential entry points for achieving or to determine some achievements in terms of durable solutions, as per latest referrals to the EDF-t grants of business owners assisted by the IOM’s Facilitated Voluntary Returns (FVM) Program.



METHODOLOGY

The assessment took a qualitative research approach. A consultation meeting with field teams from Sinjar and Salah al-Din was conducted along with 3 visits to businesses in Sinjar in person, 3 online interviews, and an Focus Group Discussion (FGD) with EDF-t grantees from Salah al-Din (online). In addition, some findings also relate to field experience from Investment Committee Visits (ICVs) and other issues discussed during the project implementation.

¹ Activity included under Output 1.3 of the project proposal.

FINDINGS

BUSINESS REHABILITATION AND DEMAND

Business owners mentioned the grant helped them rehabilitate the business, restart, and in general was vital in their return to operations. Business owners, who did not receive additional support through IOM's Durable Solutions (DS) programme, were also asked whether businesses require anything else aside from support through a grant and mostly believed only a grant is needed, except for one respondent, who mentioned requiring shelter support.

Some indicated an even higher demand on their products or services compared to before the conflict due to the improved and advanced equipment bought through the EDF-t grant. Two grantees from Salah Al-Din reported:

“Demand is better because of the higher quality of the final product, I have an embroidery machine now, before the crisis I was completing 3 to 4 orders per week, now I can do 15.”

“Engineering is doing good, I can take on more projects now, from 2 per month in the past to 15. The increase is due to the new computers, new workers, design engineers, if a project was taking 1 week, I can now do it in 2 days only. Rehabilitation work is ongoing in Shirqat, people have more awareness on exterior design, the demand has increased. I had a small place before, now I have moved to a bigger office, 3 engineers are working with me along with freelance designers.”

In the overall Sinjar region, when funding agriculture projects, community members often prefer supporting vegetable over wheat cultivation. Both crops are common in the area and featured among the applicants to EDF-t. According to the Value Chain Analysis conducted by IOM in Ninewa, wheat creates fewer jobs, lasting only 20 days in a year. This analysis shifted the focus of EDF programming away from wheat, given its significant government support. However, while wheat is profitable when sold to the silo and government, there are instances where vegetables may be less profitable, one farmer pointed out:

In Sinjar, vegetables come from other areas also so this increases competition. Vegetables in the South grow 1 month earlier than in Sinjar that is why they are already on the market when we try to sell them. Sinjar market does not depend on local products and only sometimes it is prosperous, when vegetables from the South are not that good but this is not common (selling vegetables was profitable only for 1 year out of 3, for example). Consequently, farmers cannot sell. Vegetables are for family needs or for selling in small quantities. Overall, 80% of vegetables sold in the market in Sinjar come from other areas. All businesses face this issue with vegetables. Another issue is the access to items for cultivating vegetables, like buying fertilizer from Mosul as checkpoints do not allow fertilizer to pass. Fertilizer is available locally, but it is expensive (1 ton in Mosul costs 1.1 million IQD whereas in Sinjar 1.7 million IQD). Vegetables are not profitable in Sinjar; people cannot depend on them.”

EDF-T PHASES CHALLENGES

Some business owners mentioned the problem related to outreach coverage as some from Sinjar would have benefitted if outreach was conducted in displaced areas (as they travel back and forth between their area of displacement and area of origin). Field teams mentioned that finding business owners is not always easy as often they are not present in the business premises and tracing them is challenging, even with information obtained from neighbors.

Business owners are often unaware of item prices and are somewhat unprepared at the Expression of Interest (EOI) stage, field teams pointed out.

Land ownership – or rental agreements to be more precise due to land ownership issues among the Yezidi populations in Sinjar – also proxies for business ownership in agriculture were cited as problematic by the field team in Sinjar as these can include different names or some even do not include the actual business owner's name but rather his grandfather's or father's. Those 'non-recipients' can suddenly have claims over the EDF-t grant, field teams explained. Recently, land was taken away from an EDF-t grantee by his cousin so the business owner was left without business premises at the end. The land ownership is being confirmed during the application stage through provision of relevant documents by the business owner. Additionally, during the negotiation meeting all documents concerning land ownership need to be presented as a requirement for the payment.

While not unique to EDF-t, the requirement to submit a quotation from a supplier represents an issue for many business owners since sometimes they are required to literally buy the item as suppliers do not want to provide the document for fear of requiring to pay 'taxes' as some have elucidated.

Parallely, due to the time required for collecting the quotations from suppliers, business owners have a rather short time available to apply to EDF-t calls (2 weeks): "It has been a long time since they lost their business, there are difficulties in obtaining information on prices, quotations... they should get more time, 3 weeks for application. They need to travel to find machines to other governorates. Same issue in Sinjar, there are no big companies present, so they need to go to Erbil, Dohuk or Mosul to find items... one applicant needed a video mixer, he waited for 2 months to get the item. Quotations are the most challenging, especially for agricultural businesses."

Beneficiaries were asked about the reasons why they believed certain businesses were not approved. The responses revealed a division in opinions, with some expressing uncertainty whether rejections were due to specific criteria, such as high funding requests, unrealistic projections, or a lack of overall qualifications, while others attributed it to mere chance, citing examples like "getting selected is a matter of luck." This suggests that the EDF award might not be entirely perceived as merit-based.

The overwhelming challenge mentioned by EDF-t recipients are the delays in receiving payments, which can have a detrimental impact on businesses:

"There are delays, so I have submitted a business plan in September, after 8 months in April, I got the first tranche. Meanwhile, everything changed, prices changed, the market changed, the year was not productive; due to the delay in the grant I was late for cultivation too. I was not waiting for the grant for starting, did some things by myself but my business was not that prosperous (at that point, I got the irrigation system for example). This year I have sold 40 tons of wheat, last year could have been the same but due to delays I was able to sell only 7 tons. So for 40 tons I got 24,000 USD and for 7 tons only 4,200 due to delays so the loss is about USD 20,000."²

Grantees reported buying items on credit and repaying the debt after receiving the milestones due to delays (with some reporting conflict with suppliers also):

"For the second milestone I had to purchase iron and other necessary things for business, so had to wait a long time for the tranche, the business stopped, after a while I have purchased the items from my pocket till I received the grant. I have purchased the items from the contract with IOM by myself and then I got the money back through milestones. I have borrowed from my father. I had to do this because of the rent costs, I needed to work and have profit in order to being able to pay for the rent."³

2 EDF-t grantee, Sinjar.

3 EDF-t grantee, Sinjar.

Another grantee also reported buying devices from his own capital, until he received the second milestone, consequently he had no cash at hand. He had to pay salaries of new workers and could not cover them from sales, so he borrowed the money to “keep up with the business”.⁴

Also, specifically related to the agricultural sector, which is a common sector to award under EDF-t, field teams reported some misalignment between EDF-t timings and the agricultural season since if the latter is missed, the agricultural activity needs to be postponed to the next year.

Also due to lengthy processes in general, the status of the business can change, from being inactive to fully active, as field teams pointed out, making them ineligible for the grant. Other changes also occur, especially related to item prices due to the exchange rate fluctuations.

Field teams pointed out the importance of confirmation of return status to award an EDF-t to a business owner. Otherwise, it may lead to conflict with communities that have already returned. For instance, in Tel Azer, complaints from the community that individuals who had not returned received EDF-t support, which was perceived as diverting resources away from the community.

Hiring of non-family members was cited as problematic in consideration of the large number of family members, especially in agriculture, which can affect rural areas and agricultural businesses in particular (especially producers): “I was also required to create 9 new jobs so I though could be from family too... but then 9 were external excluding family so that was a lot for me.” While indeed there is a maximum percentage for hiring family members (25% of all new hires), the percentage still might be low.

Another problem is represented by the decreased final grant amount compared to the business owner’s expansion plan outlined in the application. business owners maximize their items to be bought by trying to include as much as possible – even items not needed - whereas decisions on grant awards depend also on the cost per job, which often requires a reduction of the final amount. While not unique to EDF-t, this can result in sub-optimal item purchases (that will still be agreed by business owners as considered ‘better than nothing’): “The problem is the ICV, the grant is decreased, the business owner changes the plan, during the implementation phase the business owner complains, and the machine might not be used due to a decrease in potency/size (compared to what was initially included in the expansion plan) for example.”

Also, related to the previous problem of grant reductions, in some instances the business owner’s contribution to expansion is (proportionally) increased, which leads them to incur into debt and accepting, due to fear of losing the grant, as one recipient from Sinjar pointed out. The latter might be especially challenging for populations, who might have only recently returned and had a lot of expenses such as shelter and high debts, along with the need to start livelihoods all over.

Some have mentioned some businesses such as poultry requiring high grant values, and in general field teams pointed out that many businesses are unable to restart with the proposed amount limit. Poultry and similar businesses appear to be major job providers in the respective areas.

Sometimes business owners lack knowledge on the items appropriate for business expansion and as requiring advice: “Trainings, guidance, the importance of solar energy, which tools to use, etc. introducing some modernization into our business.” Or “I purchased a generator, with all expenses it is expensive, so a solar would have been better, staff should guide the farmers, the best strategy for the expansion plan. Staff should be more helpful, trainings for farmers, advice on the plan.” Also, some expressed the need for support to identify the specifications of the items needed.

4 EDF-t grantee, Salah Al-Din.

Field teams complained about longlisting and shortlisting of businesses – when businesses are approved for the stages of verification and application, respectively - as leaving ‘excellent’ businesses out, pointing to shortcomings in the process. In general, EOI longlisting is somewhat more challenging due to the unverified information reported.

Rental increases due to increased returns were reported by one grantee from Sinjar. “IOM could pay the rent. At the beginning it was ok, but then the rent was raised and it affected my business. I have changed to a place that has a cheaper rent.”⁵

EDF-T - RETURN NEXUS

Referrals from individual recipients of IOM’s programme have only recently started where 14 businesses had a dedicated session for applying to EDF-t, whereas one business owner referred from the same team, got granted for EDF-t.

When asked about whether they think people would return to their Area of Origin if they received a grant, respondents seemed positive about it and confirmed they have returned precisely because of EDF-t: “I have returned in May 2022, I have returned because I got the grant. A cousin was here, he told me there is a programme in Tel Azer, I came here to apply.”

Anecdotal evidence from the discussion with business owners points to the attainment of durable solutions. As when asked about their future intentions to migrate, the business owners mostly expressed a strong inclination to remain where they restarted their business and continue with their business activities, with no doubts or uncertainties expressed at any point during discussions.



5 EDF-t grantee, Sinjar.

RECOMMENDATIONS

- Outreach in areas of displacement is recommended for EDF-t.
- Ensure business owners are aware of item prices they will need before the EOI stage and therefore include the relevant guideline into the EDF-t outreach materials.
- In consideration of the status change among businesses, run EDF and EDF-t simultaneously.
- Re-think the quotation submission modality, for example by involving engineers supporting (at least some) applicants during the application stage and consolidating a list of potential suppliers for Business owners to reference.
- Ensuring timely payments and speeding up the EDF process.
- Align EDF-t to the agricultural season, at least where applicants have businesses in agriculture. This will prevent delays in agricultural activities and allow for better planning by farmers.
- Considering the dissatisfaction among communities for awarding individuals, who have not returned to the area, properly assess the businesses' intention to return.
- Consider increasing the percentage of family members being hired specifically in agriculture.
- Ensure business owners submit a reasonable expansion with items they need; ensuring they understand that including unnecessary items can lead to rejection. The introduction of an 'item justification' should be considered.
- Offer guidance on the items needed such as item specifications through the engineer's support, when relevant.
- Also, when offering guidance to Business owners, prioritize greener solutions/options. In general, this requires training of staff in green(ing) businesses.
- Greener solutions should be also assessed against less strict cost per job requirements.
- When granting agricultural businesses, especially vegetables, ensure there is a market for absorbing (for example selling to Tel Afar, compared to selling in Sinjar only), that sufficient quantities are produced for a more distant market, along the experience and contacts required for selling outside of a local market.
- Enhance the transparency of the EDF-t selection process to ensure that Business owners perceive it as fair and equitable. This may involve clearer communication on the selection criteria and decision-making process.
- Review Longlisting procedures as made-up numbers are difficult to detect at this stage, for example by introducing variables to EOI for cross-checking (the same) information.
- Verify information and documents related to land ownership through different stages of the selection process.
- Consider more flexibility on the cost per job ratio after final grant amount discussions to maintain quality of purchased items and prevent debt of the Business owner to fund the expansion plan.

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