

SINJAR EMERGING MARKETS: OPPORTUNITIES AND CHALLENGES

A Market Assessment of Sinjar, Ninewa Governorate, Iraq

IOM Iraq – November 2019



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the People of Japan

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SUMMARY

Sinjar was heavily affected by the crisis from 2014 to 2017, which left the town in ruins. A slow return is recorded and is currently estimated at a 20% of Sinjar's original population. Houses were destroyed, property looted, land contaminated, and reconstruction and services are still limited, while insecurity still prevails. Displacement remains high in Sinjar with about 25,000 current IDPs.

The Enterprise Development Fund (EDF) rolled out by IOM in many governorates of Iraq prioritizes businesses that can potentially create job opportunities and contribute to community stabilization. The market assessments are conducted to understand the following:

- The extent of damage suffered by small and medium enterprises due to the conflict between 2014 and 2017;
- Market failures that can be addressed through matching grants or business development support;
- Businesses that would create additional employment opportunities if supported;
- Potentials for market distortion due to the introduction of cash.

KEY FINDINGS

Which small and medium enterprises suffered due to the conflict?

- Most of the businesses surveyed are 1 or 2 years old. Among the older ones, all had to close down during the crisis between 2014 and 2017, and two respondents reported operating in displacement.
- Major employers before the crisis included the agricultural, construction, food, general trade in tools/equipment (mostly for cars), manufacturing of doors and windows and metal sectors (blacksmiths). These barely recovered (5 to 10% of the businesses), with better recovery reported only in the agricultural sector (50% of businesses).
- Currently employers report their businesses as being at varying stages of profitability: as not being profitable/losing money (7%), as stagnant and barely enough to sustain their own needs (33%), as profitable/successful but not enough to grow further (53%), and very profitable/successful and expanding (7%).

What market failures can be addressed through matching grants or business development support?

- Sixty-seven percent of employers reported various degrees of 'good demand' for their products/services. These were reported in general trade (23%); the food sector (an owner of an oven), blacksmithing (13%), a restaurant owner, manufacturing and services such as a barber, electrical appliances maintenance, tire mending, a women's salon and a tailor. The remaining (33%) reported various degrees of

dissatisfaction with the current demand or the demand as being not good nor bad (in two cases).

- The single greatest challenges for operating in the area reported by employers included: unstable security situation (60%), where one specified due to the presence of different 'parties', difficulties in accessing raw materials (10%), high rates of displacement – meaning a loss of customers (10%), a general lack of services and employment opportunities (also related to non-returning displacement), and poverty and low purchasing power among people.
- Employers were asked about the challenges they experience with suppliers and these included the requirement of 'immediate payments' (where one explained this was due to insecurity) mentioned by 23%, along high prices of raw materials, materials not being original or genuine, and the poor quality of raw materials.
- Quantity and quality of materials were considered inadequate by half of the respondents.
- When asked specifically about the 'fixes' required to strengthen their ability to conduct business, employers mentioned the provision of services and the creation of employment opportunities so that people can return, an easier access to materials in the area (due to checkpoints and/or insecurity), and general support from organizations, which likely referred to grants.

What cash grants could create the need for additional labor?

- On average, employers reported that 88% of their workforce was a family relation. Only one respondent reported having only 9% of his workforce related to him (a blacksmith) and only 20% of employers reported having less than 50% of family relations in their workforce.
- When asked what they would do if supported by a grant between USD 5,000 and 25,000, only 10% of employers mentioned hiring new workers (in an open-ended question) – these belonged to the following sectors: metal, manufacturing and general trade.
- Recruitment was reported as being easy except in the case of a restaurant owner. Key informants also commented on whether employers follow laws and whether the Ministry of Labour and Social Affairs (MoLSA) enforces these laws: the majority contended that mostly businesses do not register with local authorities and mostly do not follow laws in Sinjar.
- The sectors that are currently underdeveloped but have potential for growth, as reported by key informants, are industry in general (2), car services and tools, trade and agriculture.

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- The sectors that are currently underdeveloped but have potential for growth, as reported by key informants, are industry in general (2), car services and tools, trade and agriculture.

What cash grants could create market distortions?

- Two key informants mentioned agriculture as oversaturated. The government encourages agriculture and industrial development in general, according to key informants.
- Sectors receiving bad, or not good nor bad demand (one third of employers), which can also point to businesses that might create distortions if funded, include: the automotive sector (car repair); general trade, including a sweets shop, food markets, trade in construction materials and home appliances (mentioned by six employers); a restaurant; a barber; and a café.
- There was no information on private investment initiatives in Sinjar, which is likely limited.

INTRODUCTION

The economy of Sinjar was devastated by the crisis from 2014 to 2017, which resulted in business closure, destruction, looting, damage of housing, and high levels of contamination with explosive remnants of war. Services and employment are limited along reconstruction.

As a complement to individual livelihood programming and to support stabilization, IOM is implementing a grant mechanism to aid recovery and reconstruction following the retaking of areas from ISIL. IOM is rolling out the grant mechanism in multiple locations of Iraq. The fund prioritizes businesses that can potentially create job opportunities and contribute to community stabilization. Support to the private sector through grants is an approach that is growing in scope and recognition.

Methodology

To inform programming, IOM has undertaken this market assessment, which aims to determine the demand for goods and services within various sectors, the actual comparable competitiveness of businesses, the variant impact of conflict on different sectors, and the challenges businesses are facing. The latter is based on the common assumption that the injection of cash into a market can contribute to a raise in demand and production. The main objective of the research was to capture:

Which small and medium enterprises have suffered from market failures due to the conflict, that, if addressed through matching grants and business development service, could create the need for additional labor, without market distortion?

A series of research questions were designed, segmenting the market into three different respondent groups:

Key Informants (KI) were identified in coordination with IOM and partner staff, and included representatives from industrial sectors, the Ministry of Labor and Social Affairs (MoLSA) and the Chamber of Commerce. To assist with this process, interviewers were given interview guides that included an introduction letter, an information sheet, a consent form, and a list of questions.

Employer Survey respondents were identified through community mapping exercises and referrals. To assist with this process, interviewers were given interview guides that included an introduction letter, an information sheet, a consent form and a survey guide.

Focus Group Discussion (FGD) participants included individuals from the agricultural and livestock sector. To assist with this process, interviewers were given FGD guides that included an introduction letter, an information sheet, a consent form and a focus group discussion guide.

Geographical Area Selection and Selection of Participants

Key Informant Interviews (KII) were conducted with participants from different sectors, including PVC, blacksmithing, and a flour factory along one respondent belonging to a directorate (unspecified), who was simultaneously working in the private sector. In total, 4 KIIs were conducted in Sinjar. FGDs were also conducted with employers belonging to different sectors, including the agricultural and livestock sectors. Employers were conducted in Kursi only, a town about 30 km away from Sinjar.

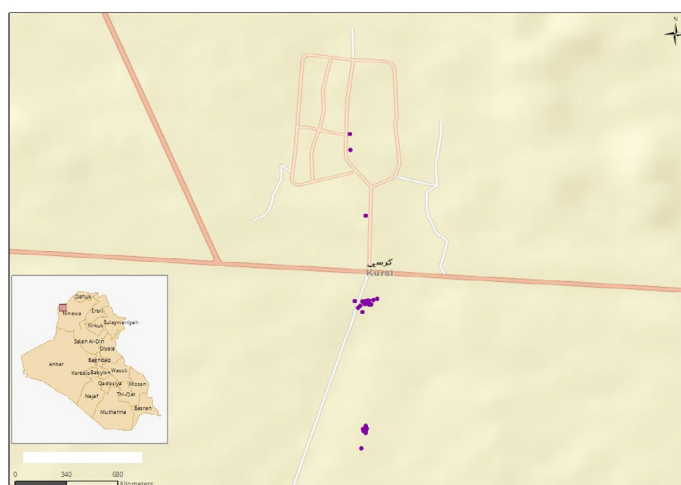


Figure 1 Employers Sampled in Kursi, Sinjar District

Sampling guidelines provided targets for the number of employers to survey from each industry in Sinjar. See the Map above for information on the locations surveyed. In total, 30 employers were surveyed, of whom only one was female. The sectors and the respective description of the businesses as provided by employers include the following:

Sectors and description of activity as provided by employers	Number	Percentage
Automotive Car repair	1	3%
Food Oven owner and bread-making	1	3%
Chemical Production of oxygen gas	13	43%
General trade Household items and appliances, sweets, electrical tools, food and non-food shops, construction materials, tools for sewage, electrical tools, shops in general	2	7%
Hospitality Restaurant	1	3%
Manufacturing Plastic and glass	4	13%

Metal Blacksmith	8	26%
Services Barber, café, electrical appliances modification, electrical tools repair, tire mender, women’s salon, tailor	30	100%
Grand Total	30	100%

All surveying tools are annexed to this report. Occasionally, manual data entry was used at the time of surveys, but all data from KIIs and employer surveys were eventually entered into Online Data Kit tools.

Limitations

Only one female employer was surveyed for the present assessment. She did not report any major issues in comparison to the male employers, her business, overall, performing well. However, drawing conclusions based on one respondent is indeed problematic. Meanwhile, surveys with employers were conducted only in Kursi, which is limiting in terms of understanding (more closely) the challenges that employers might have experienced in other areas.

BACKGROUND

Sinjar (or Şingal) is a town located in Sinjar District in the governorate of Ninewa. Throughout history, a diverse mix of ethnicities and religions have lived in Ninewa. In addition to the sizeable Arab Sunni population, Arab Shias, Kurds, Assyrians, Chaldeans, Turkmen, Yazidis, Shabak and other minorities live in the governorate. Over the past decades, policies of Arabization, Kurdicisation, as well as the targeting of certain minorities have aggravated tensions regionally.¹ In August 2014, the groups State of Iraq and the Levant (ISIL) conquered large areas of Ninewa, and Sinjar – mostly inhabited by Yazidis and some Sunni Arabs – fell in early August during the same year. The events that followed were among the most dramatic in Iraq as ISIL militants massacred thousands of people, mostly men – which amounted to genocide – and took Yazidi women into slavery. On 13 November 2015 Kurdish forces and Yazidi militias backed by US airstrikes, entered the city and fully retook control from ISIL.² Peshmerga forces withdrew from Sinjar on October 2017,¹⁷ allowing the Iraqi Army and the Popular Mobilization Forces to enter the town.³

The number of inhabitants prior to 2014 was estimated at above 200,000 in Sinjar district with Sinjar city at about 80,000.⁴ Returns began in January 2016 and as of April 170 52, 2018 former residents have returned to the district. Another report estimates that only %20 of Sinjar town's population (before 2014) have returned.⁵ The findings of a report from early 2018 that safe and durable returns to Sinjar, at the time of data collection, were not feasible because of protection concerns, lack of livelihoods opportunities, and the bad state of basic services; many respondents who remained in displacement highlighted that they were not returning because of these issues.⁶ According to the IOM Displacement Tracking Matrix, 000 25 individuals remained displaced in Sinjar as of August 2019.⁷

Today, the area remains contested between different groups. The Kurdistan Worker's Party (PKK), who has been calling for an independent Kurdish state within Turkey since the 80s, and has Marxist-Leninist roots. The PKK's (and its Syrian offshoot) support was a critical lifeline for Yazidis during and after August 2014, providing a corridor between Iraq and Syria that allowed Yazidis to escape ISIL's invasion. These forces have remained in the area and played a crucial role in its retaking. The other major group, the Popular Mobilization Forces, or "Al-Hashd Al-Shaabi" in Arabic, is an umbrella organization of primarily Shiite Iraqi militias formed in June 2014, and is also present in Sinjar.

An assessment of the political economy of Sinjar was recently conducted, and determined that in addition to widespread residential

destruction, productive assets have largely been destroyed or stolen across the district. Furthermore, the government's silo was destroyed and the electricity network severely damaged – with only the latter now slowly being restored.⁸ Wells, pumps and heavy equipment were destroyed, part of the land became unusable due to mines, equipment and machinery were stolen, stores were looted, raided or destroyed, and the major employer of the area, a large concrete factory, was also damaged and looted and as of August 2019 showed no signs of recovery.⁹

The same study found that economic actors in Sinjar were able to reinvest capital, replace assets and restart activities upon their return to Sinjar with the average investments ranging between 10 and 18 million Iraqi dinars (between USD8,000 and USD15,000), which came through a combination of their own wealth and support from family networks.¹⁰ The majority, however, mentioned not being able to reach pre-conflict activity levels, for example, in terms of land farmed or livestock owned, not because of lack of money to invest, but due to the weak economic outlook in the district. The latter is also further affected by the disruption of neighboring markets.¹¹ The relative economic security previously provided by the state's structures in agriculture and livestock, including seeds, fertilizers, and veterinary care and control, was dismantled and the government grain silo that used to provide supplies in addition to taking in harvests was severely damaged during the conflict and has not been operational since 2014.¹² For the livestock sector, the displacement of key technical public staff, such as veterinarians, has also made work difficult as these staff members were providing free vaccines throughout the year and medicines at minimal cost, in addition to engaging in awareness campaigns to improve animal husbandry practices.¹³

A major challenge, the same study argues, is the lack of people returning to Sinjar district, which affected the size of demand as most sectors are reliant on local consumption.¹⁴ Many returnees that used to work as seasonal workers now seek a different livelihood; the farmers and livestock owners who willingly restarted their activities complained of critical gaps in the market since it became particularly challenging to source inputs and to trade.¹⁵ The livestock sector, in particular, experienced a surge in prices and competition: the absence of traders as well as the reduced number of farmers supplying local fodder pushed livestock prices up.¹⁶ Social cohesion among Sinjar's Yazidi and Arab tribes remains problematic despite the relatively symbiotic relationship prior to the conflict, which in turn negatively affects the economic linkages between the groups.¹⁷ Political instability of the area and the different actors contesting for power, in addition to causing disruptions to businesses with checkpoints, ad hoc taxes, and other such measures, make economic recovery even more difficult.

¹ NCCI, Ninewa Profile, 2010, https://www.ncciraq.org/images/infobygov/NCCI_Ninewa_Governorate_Profile.pdf

² Jim Miur, Battle for Sinjar: IS-held town in Iraq 'liberated', 13 November 2015, <https://www.bbc.com/news/34806556>

³ Martin Chulov, Iraqi Forces Drive Kurdish Fighters out of Sinjar, 17 October 2017, *The Guardian*, <https://www.theguardian.com/world/2017/oct/17/iraqi-forces-drive-kurdish-fighters-out-of-sinjar>

⁴ Norwegian Refugee Council, Rapid Multi-Sector Assessment of Sinjar Town, May 2018 https://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/assessments/nrc_rna_report_sinjar_may18_final.pdf. The source is unknown but is repeatedly cited by government officials, journalists, etc.

⁵ REACH, Rapid Overview of Areas of Return, April-May 2018, https://reliefweb.int/sites/reliefweb.int/files/resources/reach_irq_situation_overview_roar_ninewa_comparative_report_september_2018.pdf

⁶ REACH, Rapid Overview of Areas of Return

⁷ IOM, Displacement Matrix, August 31 2019,

⁸ Social Inquiry, Post-Conflict Political Economy of Iraq, August 2019, <https://static1.squarespace.com/static/5bbb4e4c29f2cc31b47ff50f/t/5d67740c81187e00014179fd/1567061010459/Policy-Brief-Post-Conflict-Political-Economy-in-Sinjar.pdf>

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

FINDINGS

1) The Extent of Damage Suffered by Small and Medium Enterprises

Most of the businesses opened one or two years ago in Sinjar. Older businesses had to close down during the crisis between 2014 and 2017, and two respondents reported operating in displacement (in camps). Sectors reported as major employers before the crisis include the agricultural sector, construction, food, general trade in tools for cars, manufacturing of doors and windows, and the metal sector (blacksmiths). These barely recovered (5 to 10% of the businesses) with better recovery reported in the agricultural sector (50% of businesses).

Sector	Number of KIs who reported the specified sector as being a major employer before the crisis	Few businesses (5 to 10%) recovering as mentioned by KIs	Many businesses recovering (50%) as mentioned by KIs
Agriculture	1 (agriculture, livestock)	/	1 (agriculture, livestock)
Construction	1 (cement, blocks)	1 (cement, blocks)	/
Food	2 (sesame factory; flour factory)	2 (sesame factory; flour factory)	/
Manufacturing	1 (industry doors and windows)	1 (industry doors and windows,	/
Metal	1 (blacksmith)	1 (blacksmith)	/

Table 1.1: Sectors reported by KIs as major employers before the crisis, as barely recovering and as recovering (50% of businesses)

Employers were asked to describe the current status of their business and these reported them as: not being profitable/losing money (%7), stagnant and barely enough to sustain their own needs (%33), profitable/successful but not enough to grow further (%53), and very profitable/successful and expanding (%7). Sixty per cent described their business as overall profitable (Table 1.2).

Considering the small number of employers surveyed, the percentages should be read with caution.

Sector	Food	Manufacturing	Metal	General trade	Hospitality	Services	Automotive
Profitable/ successful, but not enough to grow further (numbers)	1 (oven owner)	1 (plastic and glass)	3 (blacksmith)	7 (shop with tools, food, construction materials, electrical and household appliances, small market food and non-food items)	1 (restaurant)	2 (barber, women's salon)	/
Very profitable/successful, it is expanding (numbers)				1 (shop owner and distributor)		1 (repair electrical appliances)	/
Number of currently profitable businesses	1	1	3	8	1	3	0
Percentage within sector	100%	100%	75%	62%	50%	43%	0%

Table 1.2: Businesses mentioned as being to some extent successful but not to grow any further and those mentioned as being successful and expanding based on the Employer Survey responses

2) Market Failures That Can Be Addressed Through Matching Grants or Business Developments

Sixty-seven per cent of employers reported various degrees of 'good demand' for their products/services (Table 2.1). Good demand was reported in general trade (7); the food sector (an owner of an oven), blacksmithing (4), a restaurant owner, manufacturing, and services such as a barber, electrical appliances maintenance, tire mending, a women's salon, and a tailor. The remaining (33%) reported various degrees of dissatisfaction with the current demand or the demand as being not good nor bad (in 2 cases).

Sector	Number	Percentage (within good demand responses)
General trade Household items, tools for repairing/maintaining sewage, a shop and distribution, electrical tools, household appliances, small market food and non-food items, sweets and food shop	7	35%
Services Barber, electrical appliances maintenance, repair of electrical tools, tire mending, women's salon, tailor for men and women and shop	6	30%
Metal Blacksmith	4	20%
Hospitality Restaurant	1	5%
Manufacturing Plastic and glass	1	5%
Food Owner of an oven	1	5%
Grand Total	20	100%

Table 2.1: Sectors considered having various degrees of good demand for services/products as reported by employers

Additionally, a linear modeling of the relationship between self-reported good demand and sectors was performed, showing positive (but not significant) relationships related to food processing, carpentry, general trade, metal and construction in Ninewa. Results should be therefore read cautiously as these do not apply to Sinjar specifically. Linear models used an interaction term to control for being in a specific sector and location (Table 2.2).

Factors	Good Demand
Age of owner	2.193 (.377)
Number of employees	-.005 (.017)
Salary of employees	.056 (.058)
Age of business	.045* (.027)
Gender of owner	.146* (.085)
Considered expanding previously	.151*** (.033)
Ninewa *Food processing	.346 (.263)
Ninewa *Prepared food	-.130 (.281)
Ninewa *Textile	-.162 (.298)
Ninewa *Carpentry	.254 (.414)
Ninewa *General trade	.521 (.307)
Ninewa *Metal	.381 (.316)
Ninewa *Services	-.177 (.365)
Ninewa *Construction	.116 (.248)
Ninewa *Manufacturing	-.360 (.547)
Adj. R Sq	.110 N
F Test	2.627 (.545)
Adj. R Sq	.110 N
F Test	2.627

Table 2.2 Good demand as a function of sector and other factors by location

Robust standard errors reported in parentheses. Levels of statistical significance indicated by asterisks: * 90 percent, ** 95 percent, *** 99 percent. Controls added for location, the perceived number of similar businesses, the use of word of mouth as a recruitment mechanism, and interaction terms between sectors and other governorates.

Respondents were asked to identify the single greatest challenge for operating in the area. These mentioned: unstable security situation (60%), with one specifying that it is due to the presence of different ‘parties’, difficulties in accessing raw materials (10%), people not returning from displacement (10%), and a general lack of services and employment (also related to non-return) in addition to poverty and low purchasing power.

Employers were also asked about the challenges they experience with suppliers. Sixty per cent had none, while 23% mentioned challenges related to the requirements of ‘immediate payments’ (with one explaining it is due to insecurity), in addition to high prices of raw materials, materials not being original or genuine, and poor quality of raw materials. Quantity and quality of materials were considered inadequate by half of the respondents. Challenges with consumers were also explored, with 70% saying there were none and 20% mentioning late payments, sometimes after months and related issues such as trying to bargain prices and similar, all pointing to liquidity issues as revealed in other governorates.

When asked specifically about the ‘fixes’ required to strengthen their ability to conduct business, employers mentioned the provision of services and the creation of employment opportunities (which would prompt people to return), improved access to materials in the area, and general support from organizations (Table 2.3). When asked specifically about government support for improving the business environment, respondents also mentioned services, employment, and credit availability.

Support Required	Number of Employers	Percentage
Provision of services	12	40%
Employment creation	12	40%
Access to materials (checkpoints)	4	13%
Support from organizations	4	13%

Table 2.3 Measures for improving the business environment as mentioned by employers

Employers were asked whether they have received any formal or informal job entrepreneurship training. Half had received none and 23% had received informal training. Employers, however, reported that they do not require additional trainings. All respondents thought about expanding their business. The main problems are a lack of capital (77%), insecurity (17%) and limited return of people (10%).

2.1) Market Systems and Particular Disruptions

This section provides a closer look at 3 examples from the agricultural and livestock sector on the bottlenecks these experiences.

Agriculture (Olives)

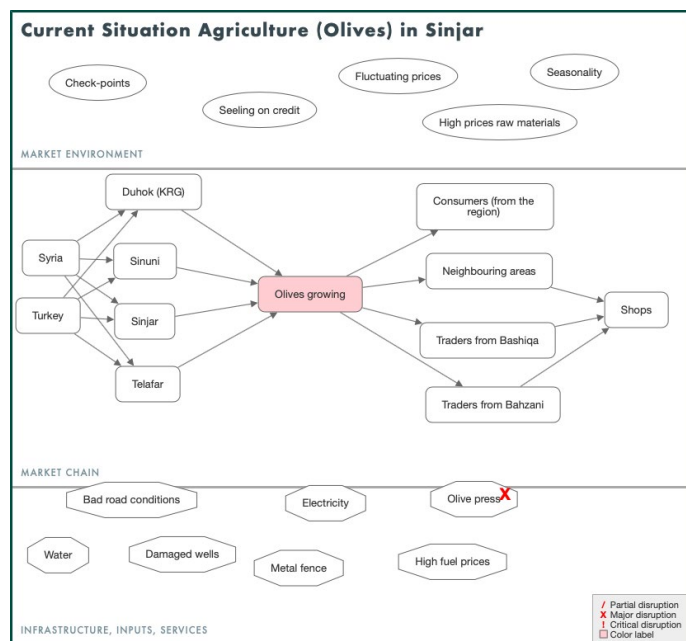


Diagram 1: Current situation olive cultivation in Sinjar based on FGDs with participants from the sector

Businesses in Sinjar strongly felt the effect of the crisis. These described: “During the political crisis, our farms and homes in our villages were burnt and destroyed and the wells damaged, some of them were completely destroyed, we need new ones and some need rehabilitation. We were afraid of the remnants of war, such as mines, all of which led us to not return to our villages and leave work on our farms for a long time.”¹⁸ Wells have been damaged, electricity supply is limited (though it was also in the past), fuel prices are high, and checkpoints cause major obstructions. The main restriction for enhancing production is the shortage of water and electricity, along with the need to rehabilitate wells and set up fences to prevent livestock from accessing olive trees. Prices of raw materials are high. The work is seasonal as olives are not processed during certain times of the year, and some complained about the lack of an olive press. Checkpoints represent a challenge when transporting olives to Telafar and Ninewa in general. Selling is on debt and prices may vary.

¹⁸ Sinjar, FGD with Employers from the agricultural sector

Livestock

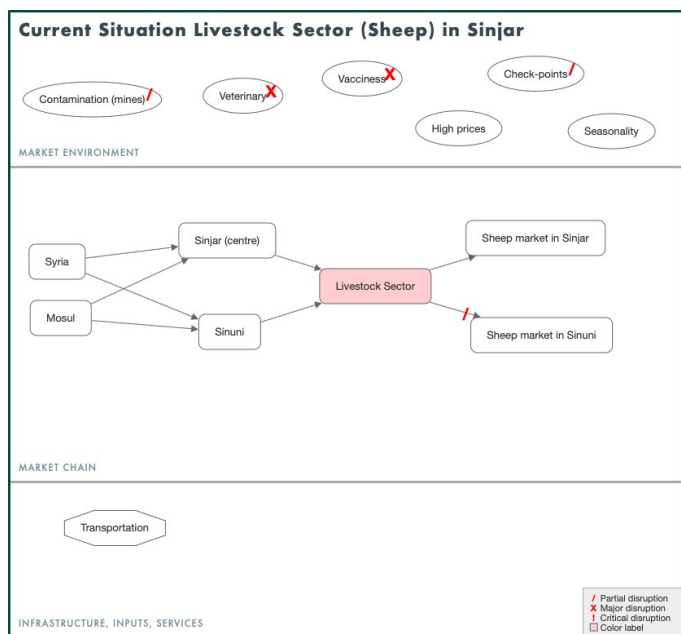


Diagram 2: Current Situation of Livestock Sector based on FGDs with participants from the sector in Sinjar

The political crisis had a major effect on the livestock sector, respondents from the FGD reported. Currently, mobility is limited, and therefore selling to more distant markets is not possible anymore. During the crisis, most of the raw material was lost. In terms of feeding sheep, many areas are contaminated so grazing is limited to fewer areas. Vaccines and veterinarians are non-existent. Buyers have problems purchasing sheep as the prices are high. The main challenge for selling in Sinuni is that of checkpoints, as these impose a limit on the number of sheep that can cross the checkpoint at a time.

Agriculture (Wheat and Barley Cultivation)

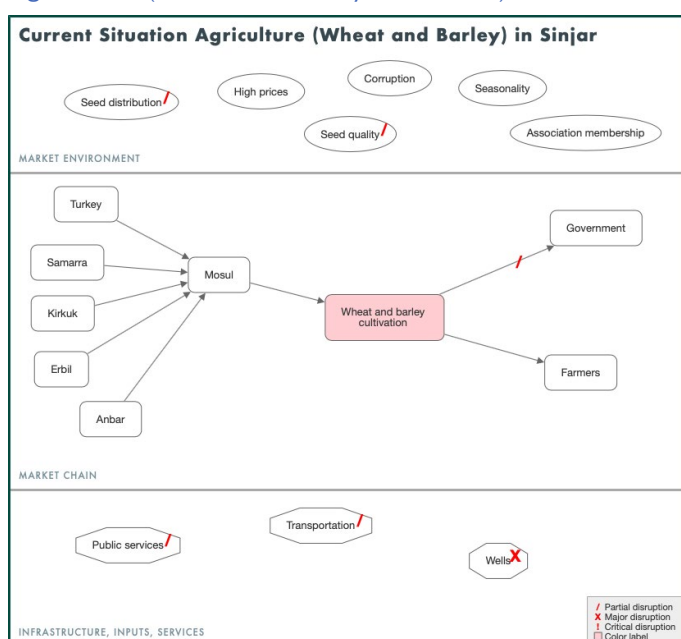


Diagram 3: Current wheat and barley cultivation based on FGDs with participants from Sinjar

Barley and wheat cultivation were negatively affected by the crisis. FGD respondents commented:

It [the crisis] affected us in many respects. First our business stopped or was damaged. Second, we were displaced because of the crisis. The projects stopped working and we haven't planted for almost five years. We lost everything because of ISIL's invasion of our lands, we lost machines, infrastructure, and most importantly, we lost security in our areas.¹⁹

The major restrictions for enhancing production include a lack of public services, high prices, transportation, lack of seed distribution (or the provision of seeds after the season already ended), and late or delayed delivery of raw materials. The quality of seeds is low and there is a general shortage of good-quality seeds. Discussant mentioned that they also experience major challenges when selling to the government due to delays in payments. Sometimes bribes need to be paid to officials during transactions, some FGD participants noted.

3) Opportunities for Employment Creation

On average, employers reported that 88% of their workforce was a family relation. Only one respondent reported having only 9% of his workforce related to him (a blacksmith) and only 20% of employers reported having less than 50% of family relations in their workforce (Table 3). Overall, hiring of relatives is high in all sectors. However, hiring relatives is also due to the fact that businesses are fairly small as 70% employ up to two people only. All employers reported that they hired through word of mouth and formal job advertisements. The latter might advantage vulnerable groups in terms of hiring.

Sectors	Average Percentage of Relatives Employed
Food	100%
Hospitality	100%
Manufacturing	100%
Services	92%
General trade	87%
Metal	77%
Automotive	50%
Average All Sectors	88%

Table 3.1: Average percentage of relatives employed in each sector

When asked about what they would do if supported by a grant between USD 5,000 and 25,000, only 10% of employers mentioned hiring new workers (in an open-ended question) – these belonged to the following sectors: metal, manufacturing and general trade. Overall, recruitment was reported as easy with the exception of the hospitality sector (reported by one restaurant owner). Key informants also commented on whether employers follow labor laws and MoLSA enforces them: the majority contended that most businesses do not even register their business, and mostly

¹⁹ Sinjar, FGD with participants from the agriculture sector.

do not follow the law in Sinjar. The sectors that are currently underdeveloped but have potential for growth, as reported by key informants, are industry in general (2), car services and tools, trade, and agriculture. Two out of four did not know.

4) Potential for Market Distortion

Two key informants mentioned agriculture as being oversaturated. The government encourages agriculture and industrial development, although one informant mentioned that organizations, rather than the government, are involved in agriculture. Informants were not aware of any area receiving private investments in Sinjar. All the information is captured in Table 4.1. Sectors reporting bad, or not good nor bad demand (a third of employers) include: the general trade sector, including a café and sweets shop, food markets, construction materials trade, and home appliances (6); the automotive sector (car repair); a restaurant; a barber; and a café.

Sectors	Mentioned by KIs as Being:		
	Encouraged by the government	Supported by private investors	Oversaturated
Agriculture	2 (agriculture in general)	Don't know	2 (agriculture in general)
Industry	3 (industry in general)	Don't know	/

Table 4.1: Sectors considered as encouraged by the government, supported by private investors, sectors considered oversaturated based on KIs

CONCLUSIONS

In conclusion, most of the businesses opened one or two years before data collection in Sinjar. Older businesses had to close down during the crisis between 2014 and 2017, with two respondents reported operating in displacement, in camps. Sectors reported as major employers before the crisis include the agricultural sector, construction, food, general trade in tools for cars, manufacturing of doors and windows and the metal sector (blacksmiths). These barely recovered, with better outcomes reported in the agricultural sector.

Overall, almost 70% of employers reported various degrees of 'good demand' for their products/services. Good demand was reported in general trade, food, blacksmithing, by a restaurant owner, in manufacturing of plastic and glass, and services such as a barber, electrical appliances maintenance, tire mending, a women's salon, and a tailor. Nonetheless, an unstable security situation, checkpoints, a lack of services and unemployment, all of which prevent people from returning, negatively affect businesses. Liquidity issues were also reported. The quantity and quality of raw materials were considered inadequate by half of the respondents. Employment of relatives is high in Sinjar and it is fairly easy to recruit, which might pose some challenges for hiring more vulnerable groups. The sectors that are currently underdeveloped but have potential for growth, as reported by key informants, are industry in general, car services and tools, trade and agriculture.

ANNEX 1: RECOMMENDATIONS FROM THE MARKET ASSESSMENT

1. Agriculture was considered a major employer before the crisis and recovered well (in comparison to other sectors) and was considered as having potential for growth. Considering the importance of the sector in the area in general, agriculture represents a suitable sector for grant matching.
2. Construction was a major employer before the crisis and barely recovered, but was not mentioned by informants, nor was it surveyed. The sector should not be prioritized.
3. The food sector was a major employer in the past but recovery appears limited. Demand was considered good, also supported by a positive (but not significant) relationship between good demand and food processing (in Ninewa in general) and should be therefore considered a suitable sector for funding.
4. General trade was reported as having potential for growth and overall experienced good demand (and is also partially supported by the regression model for Ninewa), which makes it a suitable sector for funding.
5. Metal (and manufacturing) experienced good demand and were major employers before the crisis, in addition to being partially supported by the regression model (however, referring to Ninewa in general), which makes it a suitable sector for funding.
6. Services experience good demand, although key informants did not report the service sector as being a major employer before the crisis nor as having potential for growth. While suitable, services should not be prioritized.
7. Considering the electricity and water issues, allow for higher-than-average budgets for electricity and/or investments in generators and well rehabilitation in business plans.
8. Considering the issues at checkpoints and the related challenges in movement, consider conducting joint advocacy with other organizations in terms of smoother passage through checkpoints.
9. Considering the past events in Sinjar and the major community divisions, special consideration should be given to avoiding exacerbating any tensions through grant matching.

ANNEX 2: MARKET ASSESSMENT PLAN

Market Assessment Plan

IOM aims to restore essential economic infrastructure and contribute to job creation in primary and secondary economic sectors that were successful prior to the conflict but suffered loss and damage and need assistance to resume activities. The IOM Business Development Fund will aim to encourage the return and reintegration of Iraqis through, directly, matching grants and business development support to businesses, and indirectly, sustainable job creation.

To provide support to SMEs, it is necessary to understand underlying factors that limit the growth potential and competitiveness of SMEs, and as a result their ability to stimulate job creation and other positive social and economic returns. This understanding involves assessing the current market situation by identifying the constraints, obstacles or bottlenecks that inhibit growth, and by analysing the outlook and potential of the market (challenges and opportunities). This information will then allow IOM to develop targeted interventions. The general themes are: competitors (local/international), market place (demand, supply, quality information), context (security, cultural, corruption), labor supply (skills), infrastructure (IT, physical), regulatory (laws), financial (taxes, interest rates, access to credit, access to markets).

The question therefore best answered by a market assessment would be:

Which small and medium enterprises have suffered from market failures due to the conflict, that, if addressed through matching grants and business development service, could create the need for additional labor, without market distortion?

This is a multipart question that can be broken into several sub-questions:

Which small and medium enterprises suffered due to the conflict?

What market failures can be addressed through matching grants or business development support? What cash grants could create the need for additional labor?

What could cause market distortion?

The sub-questions, in turn, can be addressed through a combination of surveying tools:

Research Sub- question	Information Needed	Source of data
Which small and medium enterprises suffered due to the conflict?	Direct consequences of conflict for SME owners and workers	<p><i>How have political events affected your business? Describe the current status of your business (FGD, Q4)</i></p> <p><i>Did you manage your business differently during 2017–2014, and how did it affect your revenue? (ES, Q3)</i></p> <p><i>How would you describe your business performance from before ISIL, during ISIL, and since the end of ISIL's occupation? (ES, Q4)</i></p> <p><i>How will recovery continue to impact your business over the next -12months? (ES, Q5)</i></p> <p><i>Do businesses selling your product or providing your services in this area generally make a small or sizeable profit? (ES, Q8)</i></p> <p><i>Prior to the crisis, what sectors were the biggest employers in the city? What happened to these sectors? (KII, Q4)</i></p>
What cash grants could create the need for additional labor?	Evidence of scalability, networking beyond internal networks	<p><i>How many of your employees are related to you? (ES, Q13)</i></p> <p><i>How many of your employees are considered skilled/unskilled? How hard or easy is it to find qualified workers? Why? (ES, Q11)</i></p> <p><i>In your experience, are labor laws strictly followed by employers and enforced by MoLSA? Could most businesses show proof of registration, company social security numbers, and personal income taxes for employers? (FGD, Q5)</i></p> <p><i>What sectors are currently underdeveloped and/or have significant potential for growth? (KII, Q7)</i></p>

<p>What could cause market distortion?</p>	<p>Which SME's would not have been competitive anyway Which areas are other private sector funders targeting, including public actors such as government programs, that could crowd out investment</p>	<p>Are there a lot of businesses like yours? (ES, Q8) What sectors are oversaturated / face too much competition? (KII, Q2) Into what sectors is private investment flowing (either from local or international investors)? Are these sectors affected by external factors, for e.g. seasonality? (KII, Q5) What have been the biggest changes in the business environment have you observed over the past six months? (KII, Q10) What are the priority sectors where the government is encouraging development? (KII, Q8) What major economic development initiatives are important for business? (KII, Q12)</p>
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ANNEX 3: SURVEYING TOOLS

Focus Group Questionnaire for Small Business Owners

The Market Chain

1. (If applicable) Where do you get your raw product from?
2. Why did you choose the suppliers you use? (i.e. punctuality, price, honesty)
3. (If applicable) How can raw materials affect your final product quality?
4. (If applicable) What is your main restriction on enhancing production?
5. (If applicable) Are your raw materials sufficient in quantity? Have you ever had a shortage of raw materials and why?
6. Do you certify your suppliers for quality?
7. Have your suppliers changed in the last 5 years and how? Is it easy to change your supplier?
8. Where do your suppliers get their raw product from? Where is it from originally?
9. Who do you sell your product or service to? What challenges do you face dealing with clients?
10. Are you able to respond to and accommodate demand variations, such as seasonality?
11. Do you consumers sell your product onwards? How? The Market Environment
12. What challenges, if any, do you face from regulatory bodies or agencies?
13. Do you pay taxes?
14. Have you experienced extortion or corruption in the last 5 years? From who?
15. How did the political crisis affect your business?
16. Have you benefited from any public services in the last 5 years?
17. Are you a member of any association? Infrastructure Services
18. Do you have to use credit in your business? Do you have any issues with this?
19. What percentage of your budget goes to transportation?
20. What other services do you pay for to run your business? What challenges do you have with these?
21. How did these services change in the last 5 years?
22. How are the cost of these services?
23. Can your firm/company usually meet delivery due dates on time, and if not why no

Key Informant Interview Questions

1. Respondent:
2. Occupation:
3. Organization:
4. Prior to the crisis, what trading and industrial sectors were the biggest employers in the city?
5. What happened to these sectors (that have been listed)?
6. What sectors currently employ the most people in the city?
7. What sectors are oversaturated or face too much competition
8. What sectors are currently underdeveloped and/or have significant potential for growth?
9. What are the priority sectors that the government is encouraging development i
10. Into what sectors is private investment flowing (either from local or international investors)? Are these sectors affected by external factors, for instance seasonality?
11. What about United Nations or International Programmes that you are aware of?
12. What have been the biggest changes in the business environment have you observed over the past six months?
13. In your experience, are labor laws strictly followed by employers and enforced by MoLSA? Could most businesses in this city show proof of registration, company social security numbers, and personal income taxes for employers? If not, what percentage do you think could?
14. Was there anything else you would like to tell us?

Employer Questionnaire

Respondent

Phone number: Gender: Age:

Type of business:

Number of Employees:

Length of time business has been operational:

1. How did you acquire the skills to start your business?

- Decided to try an idea as an entrepreneur
- Learned from a family member
- Attended vocational training
- Apprenticeship
- Formal certification or course
- Other (specify)

2. Are there a lot of businesses like yours?

3. Has this changed in the last 6 months?

- The number of similar businesses increased
- The number of similar businesses stayed the same
- The number of similar businesses decreased
- Not applicable
- I don't know

4. Did you manage your business differently during 2014–2017, and how did it affect your revenue?

5. How would you describe your business status now? Single Answer

- Not profitable, I'm losing money. (business contraction)
- Stagnant, barely enough to sustain my own needs
- Profitable/ successful, but not enough to grow further
- Very profitable/ successful, it is expanding
- Other: (specify: -----)

6. How do you expect your business to recover or expand over the next 12-months?

7. Where do you get your product or raw materials from? Is it sufficient in quantity and quality? What challenges do you face dealing with suppliers?

8. Who do you sell to? How is the demand for your product these days? What challenges do you face dealing with clients?

9. What products or services are in demand by consumers but difficult to find in the local market?

10. For those you have listed, why are they difficult to find?

11. What are the main recruitment mechanisms in your city? Word of mouth, formal job advertisements?

12. Do you sign a written contract with your full-time employees?

13. What is the average monthly salary that you pay full time workers in Iraqi dinars?

14. How many of your employees are related to you?

15. How many of your employees are considered skilled/unskilled? How hard or easy is it to find qualified workers? Why?

16. What is the single greatest operating challenge that you face, and what are the other challenges? For the challenges you have identified, please indicate what kind of changes would improve your ability to do business.

17. What kind of government policies or programmes, or infrastructural improvements, could strengthen your business?

18. What sort of training or skills do you need to run this business? Have you received any sort of formal or informal job or entrepreneurship training?

19. Have you ever considered expanding your business (e.g. opening another location, adding additional products, hiring more employees, etc.)? If you have already, what key factors helped you to do so (e.g. bank, VSLA, or personal loan; government investment fund; family to staff 2nd location, etc.). If you have considered this but found it difficult, what were your primary barriers to expansion?

20. If you were to receive unrestricted funding of US \$ 5,000 to US \$ 25,000 for business expansion purposes, what would you likely spend this on?



IOM-IRAQ MISSION

SINJAR EMERGING MARKETS: OPPORTUNITIES AND CHALLENGES

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