

Reintegration Assistance

Good, Promising and Innovative Practices

Practice #9

Boosting returnees' employment through support to SMEs in Iraq

Implementing entity: IOM

Project title: Enterprise Development Fund (EDF)

Donor: Germany, the USA, the European Union, Japan and the Kingdom of the Netherlands

Summary

The Enterprise Development Fund (EDF) encourages rapid, large-scale private sector job creation and economic recovery through tailored support to Small and Medium Enterprises (SMEs). Implemented by IOM in Iraq since 2018, the EDF is a financing mechanism that provides SMEs with financial capital to contribute to their recovery and/or expansion. It targets SMEs that were successful prior to the conflict with the Islamic State in Iraq and the Levant (ISIL) but suffered loss and damage and have a high demand for labour force that can be matched by various types of beneficiaries, including returning migrants.

The EDF is fit-for-purpose in the context of Iraq, where 60% of jobs are in the private sector, the majority of which are in SMEs. At the same time, most SMEs have experienced large scale destruction or loss and lack access to finance to rebuild. This is especially challenging as access to credit in Iraq is limited to non-existent, making it very difficult for these businesses to find funds to recover.

The EDF addresses the critical gap that SMEs face in accessing finance for rehabilitation and expansion, while at the same time contributing to improve employment avenues for returnees and other target groups.

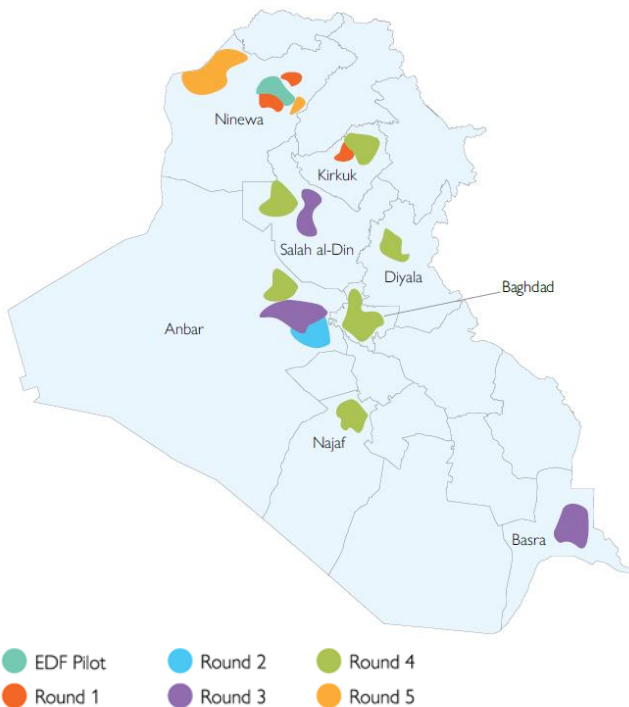
As compared to more individual job insertion and employment support interventions whereby returnees are supported to improve their employability through skills development and to find opportunities through job matching activities, the EDF approach represents a successful way to reintegrate through employment from a more structural lens, by structurally creating jobs that can be matched with specific beneficiary profiles such as returnees.

EDF is easy to scale-up and to replicate with adaptation to the local context.

Operational details

► Description of the activity

The EDF is a financing mechanism implemented by IOM in Iraq that provides small and medium enterprises (2 to 30 employees) with grants to contribute to their recovery and/or expansion. It was piloted in 2018 in Mosul before being expanded to various locations in Iraq as of 2019.



EDF geographical coverage

The financial grant is based on an evaluation of needs, the potential for job creation of the selected businesses, including for returnees and other groups supported by IOM in Iraq, and a business plan.

Selection of the businesses to be supported by the EDF follows a multi-stage process in which businesses are filtered based on a scoring system supported by a due-diligence process. Upon selection, SMEs are supported through various instalments corresponding to implementation milestones. The following chart illustrates the whole process which is further described below.

1. PLANNING

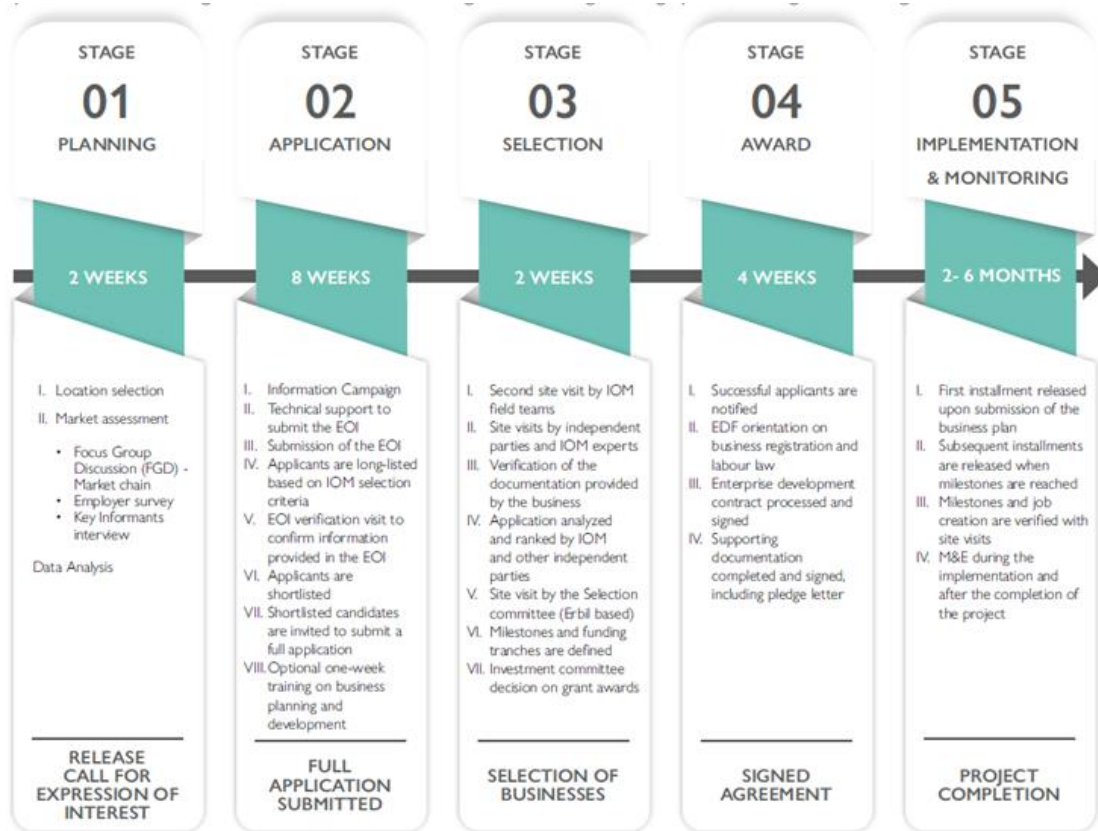
Location

The EDF follows a phased approach: a pilot phase was implemented in Mosul and successive phases covering different regions in Iraq have then been implemented over a series of rounds. The selection of the locations for successive rounds has responded to several considerations, including the displacement situation (i.e. governorates of high return and areas of protracted displacement) and the potential for SME success (i.e. areas with significant economic activity or with access to other economic centres and markets).

Market assessment

In order to provide adequate support to SMEs and to ensure the support is relevant to the wider economic recovery in the area (and does not negatively influence the market with price fluctuation or oversupply), local market assessments are crucial. The market situation is assessed by identifying the constraints, obstacles, or bottlenecks that inhibit growth, and by understanding the outlook and potential of the market. Other important factors to understand include international and local competition, the security and cultural contexts of operations, labour supply challenges and obstacles, and regulatory and financial standards that can be expected of businesses. In essence, in Iraq, market assessments for EDF answer the question: “Which small and medium enterprises in which sectors have suffered from market failures due to the conflict, that, if addressed through matching grants and business development support, could create the need for additional labour, without market distortion?”. Similar assessments could be adapted for other contexts, both post-crisis stabilisation and recovery as well as longer-term development.

Market assessments are carried out at the level of district / urban area through a variety of techniques, including focus group discussions (with representatives of several professional groups, to look at the supply chain and market environment of certain goods); key informant interviews (with representatives of, for instance, the Chamber of



Commerce and Chamber of Industry, Ministry of Labour and Social Affairs, Ministry of Agriculture, Mayors office, local councils, local business union, banks, microfinance institutions, labour unions, NGOs or CBOs); employer surveys (with sampling size to be determined on a case-to-case basis, ensuring representativity of the market). Data collection is conducted by IOM teams in the area for each market assessment based on a questionnaire developed by a Development Economist working for IOM in Iraq. Other information, such as previous applications and results of EDF businesses in different sectors can also be used to inform the market assessment.

Some of the market assessments conducted for the EDF are available on [the EDF website](#).

The market assessment is used to inform a **call for expression of interest** (EOI), including to define the eligibility and selection criteria and to target the sectors to be supported.

2. APPLICATION

The expression of interest

The EOI includes the applicant’s nationality and the enterprise’s number of employees, plans for the use of the grant (including in terms of sustainable jobs created), social impact, and experience over the last years. Businesses are asked to indicate their own (financial/ material) contribution to the project (as matching funds from businesses are a powerful indicator that the business is committed to the project). Importantly, the EOI includes information on the potential beneficiary’s intention to hire vulnerable groups such as disabled persons, IDPs, returnees or women (depending on the context), and on their willingness to hire jobseekers referred by IOM.

From EOI to full application

Upon submission of the EOI, businesses are **scored** automatically according to the priorities of the project (the score is calculated by an algorithm considering the various information indicated in the EOI; for instance a business receives a higher score if it is willing to receive referrals from

IOM or to hire persons from vulnerable groups). A **verification visit** is conducted to the businesses with the best scores/ ranking to judge the accuracy of the information submitted. If the assessment is positive, the potential grantee is invited to submit a **full application**.

Optional training on business planning and development

Separately, IOM provides capacity building, training and mentorship to EDF grantees, seeking to improve financial literacy and provide other key skills. In Iraq, IOM has partnered with the International Labour Organization (ILO) in order to offer ILO's Start and Improve Your Business (SIYB) programme.

3. SELECTION

On-site visits and application analysis

Selection is based upon an analysis of the full application submitted and a series of on-site visits and verifications. This includes a second site visit by the IOM field team, a visit by independent parties and IOM experts and, after analysis of the application, a visit by the Selection committee. The application is also further analysed by IOM and independent parties in light of the project's priorities and criteria, such as impact on economic recovery and job creation and considerations for vulnerable groups (see above).

Definition of milestones and funding tranches

IOM and the business owner agree on the timing and number of funding tranches (in general, three instalments are envisaged) and on the milestones to be reached to trigger these instalments. The payment of EDF grant is indeed incremental and conditional on successful completion of the milestones, including verification that instalments contribute to the delivery of the business plan as agreed during the screening and selection process. This system also limits IOM's risk in the case of intentional misuse or misappropriation of funds.

Investment Committee decision on grant awarded and selection of businesses

¹ IOM also plans to start providing soon technical capacity support to EDF-supported businesses (Including those that apply, make it to the last stage and are rejected, but show promise, so that they could potentially reapply with a higher chance of success) in partnership with ILO.

An Investment Committee (IC), composed of IOM staff and external experts including prominent business leaders, Chambers of Commerce, universities, etc., is formed to conduct site visits to shortlisted businesses. It reviews the EOI, the full application, the report of the various visits conducted previously and the business plan. It then makes a final decision on the selection of the business (granted or rejected). The Committee has authority to decrease or increase the total amount of the grant, negotiate a revised number of additional workers, suggest a change in the business plan, and adjust as appropriate the estimated value of the business owner's contribution, based on the committee's observation and assessment of what the business will likely be able to achieve if given funding.



The Ibrahim Wood Engraving Workshop in Basra, supported by EDF © IOM

4. AWARD

Orientation on business registration and labour law

As there is a high rate of non-registered businesses in Iraq, IOM cooperates with the Ministry of Labour and Social Affairs and the local Chamber of Commerce to organize orientation sessions about registration benefits to businesses awarded with the EDF grant.¹ Business are also supported to meet other legal standards including on minimum wages, child labour and safety in the workplace, with clauses potentially included in the contract tied to the improvement of labour conditions.

Contractual arrangements

A service agreement is signed with selected applicants that details responsibilities, performance indicators and milestones for payments (*as described above*).

5. IMPLEMENTATION AND MONITORING

Implementation

Based on the agreement signed, the selected businesses receive the first instalment. Technical teams on the ground undertake regular visits to monitor businesses and track progress towards the agreed milestones. If possible, they recommend actions to address challenges. Once a milestone is reached, the successive instalment is paid.

Monitoring

Monitoring of the businesses supported by the EDF takes place at baseline, midline, and endline (up to 14 months after the initial award of a grant). It also takes place after the disbursement of each instalment through milestone verification, described above.

► Approach/Rationale

THE POST-CRISIS CONTEXT IN IRAQ AND THE NEED FOR THIS INTERVENTION

Economic ‘diagnosis’

In Iraq, 60% of jobs are in the private sector, the majority of which are in SMEs. Due to the conflict, most SMEs have experienced large scale destruction or loss as well as a loss of employees due to violence and displacement. Access to credit in Iraq is limited or non-existent, making it very difficult for businesses to find funds to rebuild or recover. “EDF grantees and non-grantees alike report that the two greatest challenges facing local businesses are a continued shortage of capital, the destruction of local infrastructure, and physical damage to their businesses.”²

Social and displacement-related ‘diagnosis’

Many conflict-affected communities are receiving a high number of returnees, which puts the limited resources and services available under strain. As individuals return to or rebuild their communities, they face widespread

unemployment and an uncertain economic future. Increasing tensions in the community due to competition for resources, amplification of sectarian ethno-religious divisions, and possible retaliation towards those perceived as having affiliations with parties to the conflict are other challenges preventing returning migrants and IDPs to reintegrate in their communities of origin.

IOM response

In a context where Iraq has entered the recovery phase, it is essential to secure durable solutions to allow migrants and IDPs to return to and reintegrate in their place of origin. Returnees and IDPs have stated that one of the main obstacles in returning and reintegrating in the place of origin is the lack of income and employment. This observation, consistent with the feedback from business owners about the difficult context for businesses to recover and grow, prompted IOM in Iraq to develop an integrated programme aiming at energizing local economy through support to livelihoods and employment, and at strengthening social cohesion. EDF was launched to address one of these aspects: the critical gap that SMEs face in accessing finance for rehabilitation and expansion.

IOM has traditionally focused on individualised assistance for employment, with community-based assistance taking the form of infrastructural improvements that provide temporary employment, such as cash for work. Increasingly, however, special attention to community and institutional level players in the private sector has been recognized as necessary to increase longer-term employment prospects. EDF builds upon this recognition: instead of supporting self-employment through microenterprises, it seeks to support SMEs expanding their production and operations and, as a result, supporting rapid, large-scale and sustainable job creation.

In the post-conflict context it operates in, the EDF pays a particular attention to the potential contribution of the intervention on the rehabilitation of local value chains or on the re-establishment of services that are of primary need to the local population.

² MIT evaluation – see section ‘Outcome and evidence’ below.

SUPPORT TO MARGINALISED AND DISPLACEMENT-AFFECTED GROUPS

Beyond their contribution to economic recovery and revitalisation, the jobs created through the EDF grants can be used in part by IOM to support specific groups (including persons in vulnerable situations, displaced persons, returnees) in their economic (re)integration.

In its grant allocation, EDF prioritizes marginalized groups that lack access to formal financial mechanism, for example at-risk youth and women entrepreneurs. In addition, the mechanism focuses on areas with high return rates (according to IOM's DTM Return Index) or with significant protracted displacement situations.

DUE DILIGENCE PROCESS

The EDF has established strong due diligence processes and verification mechanisms to reduce risks and increase value for money. This due diligence process relies on a phased approach including various verifications stages, on-site visits and consultations, as described in the above section ('Description of the activity'). The rigorous processes put in place as part of EDF, with robust risk mitigation measures, have allowed IOM in Iraq to ensure donor support and scale up EDF.

► Partnership/Synergy

EDF is implemented by IOM and funded by a variety of donors³.

To implement some sector-specific programmes (for instance in technology - *see below*), IOM has fostered partnerships with NGOs and a few private sector companies (*inter alia* a start-up incubator NGO and a provider of mobile telecommunications and data services).

In the near future, the EDF plans to partner with key stakeholders and establish linkages with government-financed programs, financial institutions, and job centres. In partnership with a state-owned bank, IOM is also

establishing a concessional loan programme as part of larger access to finance activities for EDF graduate businesses.

The EDF has strong linkages with some of the individual livelihoods support interventions that IOM implements in Iraq, as they have the potential to provide a demand stimulus in the local economy as well as provide skilled laborers sought for by SMEs in the private sector.

► Additional information

EDF is a flexible methodology that can support specific business sectors. Beyond the basic EDF framework described above, IOM is expanding the EDF mechanism to target and invest in specific key sectors, including technology, renewable energy, and agriculture with the following programmes:

- EDF Innovation (EDFi) targeting technology start-ups in partnership with private sector and incubators (ongoing);
- EDF Renewable Energy (EDFr) encouraging renewable energy SME development and creation of green jobs (planned);
- EDF Agriculture (EDFa) envisaging rural job creation and development strategy targeting local agricultural value-chains (planned);
- EDF Culture, in partnership with UNESCO, supporting businesses in specific locations that contribute directly to the preservation and advancement of Iraq's cultural heritage (planned);
- EDF COVID-19 (EDFc) supporting businesses directly involved in the COVID-19 response, including personal protective equipment (PPE) manufacturers, medical equipment and supply companies, delivery services, etc. (ongoing).

► Useful contacts and references

More information on EDF is available on the Programme's website: <http://edf.iom.int/#>.

³ Germany (through its development bank Kreditanstalt für Wiederaufbau, KfW), the USA (the State Department's Bureau of Population, Refugees and Migrants (PRM) and USAID), the European Union, Japan and the Kingdom of the Netherlands.

The EDF Team can be contacted at iragedf@iom.int.



The owner and workers of the Baba Gurgur Tailoring Factory supported by EDF in Kirkuk © IOM

Evidence base

► Outcome and Evidence

PROGRAMME AND MONITORING DATA

Between the start of the EDF in August 2018 and 15 March 2020, 6,802 applications to the EDF were received and 2,103 were longlisted. 305 businesses were finally selected for support. They were expected to create 1,574 jobs (i.e. average ratio of 5.2 jobs expected to be created per business supported). 17% of business owners supported were females. Grants for a value of 5,094,672 USD were approved (i.e. average of 16,704 USD per business and of 3,237 USD per job directly created⁴), and additional

⁴ This figure however only reflects part of the impact of the grants provided. Indeed, by supporting the economic recovery of key SMEs, the programme contributes to wider economic recovery in the areas targeted. Securing employment generates income that the household can use to meet basic needs preventing possible negative coping strategies. Increased financial security within a target community contributes directly to the revitalization of the local economy, which in turn generates more economic opportunities for other community members. In addition, the grant can be used to repair or expand the business, with limited immediate impact on employment, and only in a second phase lead to increased long-term employment. IOM also views EDF as a matching grant, encouraging use of resources by businesses themselves with IOM funds allocated considered additional.

⁵ *External Evaluation of the Enterprise Development Fund* conducted by Marsin Alshamary (Massachusetts Institute of Technology and Harvard University) and Elizabeth Parker-Magyar (Massachusetts Institute of Technology), published in January 2020. This external evaluation focuses on the degree to which the programme has achieved sustainable job creation by comparing shifts in employment (status and wages) among applicants to the EDF who did and did not receive the grant across four locations. By comparing the performance of grantees to similar individuals who did not receive the grant, the evaluation is able to show more credibly that shifts in employment are attributable to the grant itself, rather than deteriorating or ameliorating local market conditions.

⁶ This summative evaluation of the eight phases of IOM Iraq's Community Revitalization Program, implemented between September 2018 and September 2019, addressed the different components of the programme, namely cash for work (CfW), business support and infrastructure support. EDF is one of the components of this bigger community stabilization and revitalization programme.

⁷ This Mid-Term Evaluation (MTE) was conducted by IOM in the framework of the project funded by the Kreditanstalt für Wiederaufbau

10,904,746 USD were mobilized in private capital (businesses' contribution in cash or assets). The main sectors supported were: agriculture (30%), manufacturing (12%), services (11%), construction (9%) and food processing (9%).

The applications submitted to the EDF indicate that:

- 85% of the applicants were willing to hire jobseekers referred by IOM;
- 88% intended to hire IDPs or returnees;
- 51% intended to hire a female employee;
- 81% intended to have a positive social impact on their community;
- 94% of the businesses were affected by the political crisis in the last 5 years.

EVALUATIONS

Since its start, the EDF was subject to three evaluations that all presented positive results.

1. Evaluation of the EDF conducted by the MIT (November 2019)⁵
2. Evaluation of the Community Revitalization Programme (CRP) VIII programme conducted by RMTEAM (February 2020)⁶
3. Internal mid-term evaluation of the 'Contribute to the Economic Recovery of Iraq through Employment Creation and Revitalization of Local Economies' project (covering the period January 2019 to December 2019)⁷

Some of the findings of these three evaluations related to EDF are presented below.

Relevance of the intervention

The internal mid-term evaluation stressed that the information gathered in the labour skills and market assessments ensured that the project was in line with local needs and priorities. All the direct beneficiaries of EDF (i.e. business owners) surveyed by RMTeam confirmed the intervention was relevant to their needs and all five female beneficiaries interviewed unanimously confirmed that the support was suitable for their specific needs.

Most EDF beneficiaries (81%) surveyed by RMTeam reported that prior to the support, their business was not running or was facing significant financial challenges, but as a result of the EDF support, their businesses are operational. All agreed that the support enabled them to overcome those challenges in a suitable and relevant way. A beneficiary declared: “By means of the support, we were able to buy the needed machinery and equipment and were able to employ a number of workers needed.”

92% of the respondents of the RMTeam survey (36 out of 39) added that the income through employment constituted a relevant and appropriate support for the community members they hired and revitalized the community economy.

Businesses operativity and economic revitalisation

EDF beneficiaries surveyed by RMTeam unanimously confirmed their **businesses were operational** at the time of the evaluation, following the end of service delivery. 100 % of business owners reported overcoming challenges and managing well-functioning businesses thanks to EDF’s support, and indicated that their businesses enjoyed sustainability and functionality they did not have before receiving EDF’s support. 44% of beneficiaries said that the support was effective in maintaining and supporting their businesses, through covering operational costs and securing needed human resources. 11 beneficiaries, or less

than a third, indicated that the financial assistance provided was only enough to secure equipment but not procure the full range of needed materials.



“Once we got the grant, we were able to purchase the right equipment and increase our output by 50 percent”, says the owner of Al-Miqdad Chips Factory supported by EDF in Mosul © IOM

Following their participation in the EDF project, all 39 beneficiaries interviewed by RMTeam indicated that their **monthly income** exceeded 200,000 IQD (approximately 168 USD). Roughly 40% (16) of participants reported a 500 to 1,000 USD profit increase in their best month of the past year. Similarly, 28% (11) beneficiaries reported a profit increase somewhere between 1,000 and 1,500 USD, seven profited between 1,500 and 3,000 USD and finally, four participants benefited more than 4,000 USD in their best month. The MIT evaluation reported a 55% increase in business profits for the SMEs receiving an EDF grant four to six months after receiving the support, compared to a 1% decrease in average for other enterprises in the same markets who did not benefit from the EDF programme. The evaluators anticipated further increase in the longer term.

As a result of their stable and functional businesses, with increased productivity and sustainable income, the vast majority of respondents (37 out of 39 including the five females) expressed that they **would no longer seek employment outside of their current location**.

(KfW – German Development Bank) to (i) provide insights about the effectiveness of the programme and (ii) identify recommendations to improve learning for the project and future interventions.

Beneficiaries surveyed by RMTeam reported that the support for local enterprises contributed positively to **reviving the commercial market**, creating cash circulation and job opportunities. 38 beneficiaries (out of 39) reported increased economic activity and competition in the local market, which brought down the prices of goods, increased employment opportunities and revitalized local manufacturers. An EDF beneficiary in Mosul illustrated this: “Opening the factory helped in reducing the prices of plastic in the area.”

Finally, IOM’s internal evaluation found that the percentage of EDF businesses who have the required **safety measures** in place increased from 77% to 88% after receiving the support

Sustainable employment and increased income

The interventions and support to local businesses provided needed employment opportunities and revitalized the economically stagnant communities. Beneficiaries and key stakeholders surveyed by RMTeam **confirmed the creation of employment opportunities as well as the economic revitalization** in their communities.

The MIT evaluation analysed application and survey response data of 193 applicants to EDF in Mosul and Kirkuk and compared the data of the 49 applicants who received EDF’s support with the data of the other, similar businesses, that did not receive EDF’s support. It found that **recipients of the EDF grant reported employing an additional 2.23 employees than comparable applicants** who responded to the same survey.

The MIT evaluation concludes that the EDF program has **succeeded at increasing employment** in extremely difficult contexts in which local business owners are contending with both security-related and financial difficulties: a shortage of capital, damage to infrastructure, and political and economic instability.

As EDF contributed to increase employment in the businesses it supported, it also contributed to increase the income of these businesses’ employees. After EDF’s support, 100% of respondents interviewed by RMTeam

confirmed that their **income increased** and 87% of the employees followed-up by IOM for its internal evaluation reported **improved living conditions** as a result of the EDF services. The impact of the project was measured by comparing the change in the living conditions of the beneficiaries and non-beneficiaries: it was found that a positive change of the beneficiaries’ livelihoods was mainly due to the project’s intervention, as non-beneficiaries in the same communities showed either no change or negative change.

Both returnees and IDPs indicated that the project afforded them **tools to (re)-integrate within the community**, as it improved their financial situation and allowed them to pay off incurred debts. This allowed for positive interaction and made socialization easier and more friendly.

Indirect outcomes and future opportunities

Beyond the direct outcomes of the project, the experience of EDF provides opportunities to further expand support to SMEs in cooperation with the government and private sector. Some points that can be highlighted:

- The EDF database (with data on thousands of SMEs) can be analysed to find additional investment opportunities, inform policy making and create linkages with private finance;
- The EDF created a pool of businesses that passed due diligence and who have a verified performance track record, thereby increasing access to finance for those businesses;
- EDF is adapted to suit the local context and all tools are translated in Arabic, meaning they can be easily acquired by government entities for use in longer-term development projects.

► Recommendations

Some recommendations for practitioners interested in designing and implementing a similar intervention, based upon IOM’s experience with EDF and the evaluations conducted, are suggested below.

PROCESS

Establish strong due diligence processes and verification mechanisms adhering to the best practices of financial institutions to reduce risks and increase value for money of the intervention.

Ensure payments are made on time and as agreed, in order for businesses to be able to plan their purchases and recruitment.

Ensure large advertisement of the business support opportunity in order to ensure that all community members have equal opportunity and access to the programme.

Integrate support to businesses with other interventions aiming at economic recovery and individual livelihoods. IOM's internal evaluation recognized considerable strides in integrating the various components of the Community Revitalization Programme, but also pointed out to the need for further integration of these activities. Linkages and referrals should be encouraged between various components of such programmes, such as vocational training, individual livelihood support, business support and community infrastructure rehabilitation. Such interrelations should already be envisaged at the planning and design stage, especially if they have to be established between different programmes and implementing organisations. Importantly, for these referrals and synergies to be possible, target locations must match.

TARGET GROUPS, SECTORS AND PRIORITIES

Align private sector imperatives and requirements with the objectives of the programme (be it recovery, reintegration or development-focused). Rigorous due diligence processes should be balanced against the need to promote the inclusion of marginalized groups usually excluded from formal financial systems.

Avoid visibly targeting minority communities in ways that could be seen as showing favoritism.

Clearly define the economic sectors to be targeted based on market assessments. Focus on strategic economic

sectors that are labor-intensive and have potential for growth. The MIT evaluation found that the impact of the EDF on employment was “particularly high amongst construction, industry, and manufacturing sectors”, which can be explained by “the post-conflict setting and the high number of respondents who highlighted the difficulties of overcoming infrastructural damage”.



A newly-hired worker at the Al-Hadidi Iron Turning Factory who returned to Mosul after securing a job at the factory supported by EDF © IOM

Balance short and long-term targets and consider sustainability of the economic sectors supported. The MIT Evaluation's finding on the impact of the support on the construction industry is confirmed by business owners' views that continued damage to infrastructure and their businesses present considerable challenges to their operations. However, as infrastructure is rehabilitated in the long-run, the development of the construction sector may slow down. Investment in businesses that are providing immediate employment, like construction, should thus be put in perspective with other sectors that may be more sustainable, like manufacturing. In addition, prioritizing job creation immediately may detract from the need to invest in infrastructure and machinery that are necessary for business survival, particularly in post-conflict communities. In certain settings, these initial investments may pave the way for long-term sustainable employment.

Consider the longevity of employment contracts, including the average tenure of employees, in the programme's criteria/ priorities. Certain sectors like agriculture and construction may rely on short-term employee contracts as

opposed to long-term contracts, in the services industries for example. The nature of employment by sector should thus be recognized and taken into account.

Accompany financial support with accompaniment to businesses' improvement of legal and ethical compliance.

Businesses supported should be obliged to meet legal standards (minimum wages, child labour, safety on the workplace, etc.), and these terms should make up part of the contracts signed with beneficiary SMEs. Registration and formalisation of the businesses should also be strongly encouraged and supported.

RANGE OF BUSINESS SUPPORT MEASURES

Assess relevance of combining business support through grants and other support measures such as specialized or SIYB training, support to access loans (e.g. in cooperation with microfinance institutions or banking partners, as a standalone project or as part of a graduation support programme for grant recipients), marketing and value chain support, enhanced commercialization and access to national or international markets, etc.

Seek opportunities to expand business support through grants into other forms of innovative finance (including loan guarantees, equity, etc.).

► Conditions for Replicability

Supporting quick private sector recovery, SME growth and job creation, EDF is a **flexible methodology** that can support specific business sectors and is **applicable to both recovery and development contexts**.

An EDF-like programme is useful **either as a standalone tool** as part of a post-conflict recovery or stabilisation programme or of a development assistance programme, **or as a component of a wider programme** aiming at other objectives such as social cohesion, peacebuilding, DDR, etc. In Iraq, different donors have funded EDF to pursue these different objectives.

The EDF methodology **can also easily be adapted and tailored to the needs of specific groups** of interest.

Strong donor interest, not only in reintegration of returnees, but also in economic recovery and social cohesion, is key in order to conduct similar programmes. Post-crisis contexts, where return flows (of migrants, refugees, IDPs) are high and where economic rehabilitation is key to peace and security, are particularly likely to attract such donor interest and corresponding funds.

Knowledge Management Hub

Factsheet developed and published by the Knowledge Management Hub in June 2020

This factsheet is part of a series of factsheets on good and promising practices in reintegration assistance. It aims at disseminating good and promising practices on reintegration assistance to reintegration practitioners worldwide.

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Project funded by the European Union



Project implemented by IOM