The Impact of Cash Transfers on Local Markets in Iraq: Lessons from Baiji and Rawa

Prepared for the Cash Consortium for Iraq
This report was produced in partnership with the Cash Consortium for Iraq (CCI). The CCI is comprised of the Danish Refugee Council (DRC), the International Rescue Committee (IRC), the Norwegian Refugee Council (NRC), Oxfam, and Mercy Corps as the lead agency. The CCI was formed to enhance the impact of multi-purpose cash assistance (MPCA) and better meet the needs of conflict affected households in Iraq by building a harmonised approach to MPCA delivery, fostering closer operational coordination, and expanding geographic reach. This study was undertaken by Proximity International for CCI partners IRC and Oxfam. The report was funded by and conducted in partnership with the UK Department for International Development (DFID).
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<td>CBI</td>
<td>Cash-based Intervention</td>
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<tr>
<td>CCI</td>
<td>Cash Consortium for Iraq</td>
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<tr>
<td>CWG</td>
<td>Cash Working Group</td>
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<tr>
<td>DRC</td>
<td>Danish Refugee Council</td>
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<tr>
<td>ECHO</td>
<td>European Union Trust Fund</td>
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<td>FFP</td>
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<td>GAC</td>
<td>Global Affairs Canada</td>
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<tr>
<td>GoI</td>
<td>Government of Iraq</td>
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<tr>
<td>IDP</td>
<td>Internally Displaced Persons</td>
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<tr>
<td>ILO</td>
<td>International Labor Organization</td>
</tr>
<tr>
<td>IQD</td>
<td>Iraqi Dinar</td>
</tr>
<tr>
<td>IRC</td>
<td>International Rescue Committee</td>
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<tr>
<td>ISIS</td>
<td>Islamic State of Iraq and Syria</td>
</tr>
<tr>
<td>ISF</td>
<td>Iraqi Security Forces</td>
</tr>
<tr>
<td>MENA</td>
<td>Middle East North Africa Region</td>
</tr>
<tr>
<td>MPCA</td>
<td>Multi-purpose Cash Assistance</td>
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<tr>
<td>NRC</td>
<td>Norwegian Refugee Council</td>
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<tr>
<td>OFDA</td>
<td>United States Office of Foreign Disaster Assistance</td>
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<td>Oxfam</td>
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<tr>
<td>PMU</td>
<td>Popular Mobilization Units</td>
</tr>
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<td>UNOCHA</td>
<td>United Nations Office for the Coordination of Humanitarian Affairs</td>
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This report provides the findings of a two-part research undertaken by Proximity International for the Cash Consortium for Iraq (CCI) on the impact of Multi-Purpose Cash Assistance (MPCA) on local markets. The study focuses on two locations targeted for assistance by the CCI: the southern neighborhoods in Rawa (Anbar governorate), and three neighborhoods in Baiji (Salah al Din governorate). These two locations were selected because they had not received cash assistance for a year or more prior to their selection for CCI assistance, making it possible to control for previous cash assistance received.

During the research period, CCI partners Oxfam and IRC distributed $770,800 into the local economies studied here. The majority - $674,800 - was transferred in Baiji, with $96,000 being transferred to households in Rawa.
Our research suggests that there is evidence that the cash assistance distributed between December 2018 and February 2019 impacted the economies of Baiji and Rawa. However, this impact must be framed within the larger context of certain patterns within the non-urban Iraqi economy including a trust-based credit and debit system. It must also take into consideration the fact that these communities and economies are just beginning to recover from a conflict that nearly destroyed them as displaced persons increasingly return to these locations.

**Vulnerability of businesses & traders in Baiji & Rawa**

Businesses in Rawa and Baiji are functioning within the pre-existing framework of a largely informal economy and are still suffering from the consequences of the conflict, namely rebuilding destroyed businesses and regaining their stock. This is the case in both locations, but overall houses and businesses in Baiji were more badly affected due to the intensity of battles between the Islamic State of Iraq and Syria (ISIS) and the ISF and allies over the nearby oil refinery. All businesses assessed in both locations reported having suffered damages to storefronts or losing stock.

For communities in recovery from such significant destruction, it is important to remember that owning a business does not preclude socioeconomic vulnerability. In fact, 30% of traders in Baiji were also MPCA recipients. Most spent this cash on paying debts, healthcare and purchasing essential food and non-food items, but a few noted they used some of the assistance money to support their businesses by purchasing additional stock. No traders surveyed in Rawa were MPCA beneficiaries.

**Impact of MPCA on Formality & Size of Businesses**

The majority of businesses assessed were small, informal, family-run ventures where one or two people, usually working-age males who are related, assume most of the responsibility and various family members support on an as-needed basis.

Of the 82 traders originally assessed:

- 15 were women
- Female business owners were typically running businesses selling small clothes, candy, and basic groceries out of their homes and selling to other women.
- Only 16% of businesses were formally registered.

There is no evidence that the injection of cash assistance into these markets impacted the formality or size of businesses in the respective locations.

**Impact of MPCA on market prices**

Similarly, there is little evidence that the prices of goods were impacted by the MPCA.
distributions. Overall, only 10% of traders assessed reported significant price fluctuations in their stock in the months during which MPCA was distributed. No respondent mentioned cash assistance as a factor in price fluctuation.

**Circulation of MPCA in local markets**

It is likely that a significant amount of cash assistance in fact left the markets in Baiji and Rawa. This is because CCI vulnerability targeting is sensitive to emergency and chronic medical cases, and these complex medical services are often only available in larger cities, such as Tikrit and Ramadi. The highest spending priority for beneficiaries assessed for this study was medical assistance and many mentioned traveling to other cities to receive these services. The significant need for emergency and continued medical care in the assessed locations may therefore reduce the impact of cash assistance on local markets.

**Impact on sales volume & profits**

Because the markets in both Baiji and Rawa are still very much in recovery and many residents have yet to return, sales volume and profits remain low. Three quarters of traders surveyed report monthly profits below 350,000 IQD ($300). While the majority of respondents reported profits had remained the same, 24% of respondents reported that profits had increased during this period, most commonly citing the return of displaced families as the main reason for increased profits. Similarly, 20% of respondents reported increased sales volumes for the same reason. Sales volume and profits possibly increased between December 2018 and February 2019, although a minority of traders directly attributed this increase to the MPCA. Rather, most traders said the return of IDPs and general market revitalization were the reason for higher sales volume and profits, noting MPCA as one factor of many in this recovery process.

**Credit and debit nexus as a coping mechanism**

In order to rebuild destroyed houses, businesses, and stock and to meet their basic needs, many business owners and beneficiaries are going deep into debt within the framework of a trust-based credit and debit system. Business purchases on credit were very common: 83% of traders in Baiji and 51% of traders in Rawa said they purchase wholesale items on credit. One possible explanation for this is that traders often purchase high volumes of stock on credit as a recovery tool, and this is happening more frequently in Baiji because it was more badly destroyed.

Typically, traders purchase wholesale items on credit and in turn sell items to customers on credit. Traders then pay back their wholesalers once a critical amount of money has been paid back from the customers. This system is reportedly extremely common in Iraq and
existed prior to the ISIS conflict. For this reason, many beneficiaries and businesses mentioned owing high amounts of debt both from before the ISIS conflict and from the period after.

While there is little evidence that the distribution of MPCA had a quantifiable impact on prices, sales volume or profit, there is evidence that CCI assistance impacted the abilities of individual consumers to pay back their loans and access other loans to meet basic needs. Traders with smaller businesses noted that they usually were aware of who in the area had received cash assistance and said that many beneficiaries had visited their businesses to pay debts shortly after the MPCA was received. Despite the fact that cash assistance contributed to the abilities of beneficiaries to pay off debts owed to local businesses, it is unlikely it impacted the net amount of debt businesses and individuals owe. Businesses did not report a change in the total amount of debt they are owed and beneficiaries said the main motivation to pay off debts was to maintain the trust they have established with their creditors and therefore retain the ability to take out more credit.

All beneficiaries and the majority of traders overall believed that cash assistance positively affected the local market. However, this sentiment must be understood in a general sense; few respondents could describe this benefit beyond “increased market movement” and there is no quantitative evidence in support of this claim. In Rawa, nearly half of the traders surveyed did not believe the cash assistance impacted the markets, pointing to what they saw as an unfair and “random” approach to targeting. While community perceptions on MPCA targeting was not the focus of this study, it was evident in the findings that confusion around the beneficiary targeting process impacted community perceptions around its socioeconomic benefit across the board.

This study originally sought to assess the impact of cash assistance on non-urban and conflict-affected markets. What has emerged is a much-needed portrait of how markets that are recovering from conflict are functioning, a nuanced view of business and beneficiary spending patterns that factors in the market as a socially structured space, and an exploration of the role of cash assistance within the prevailing trust-based credit and debit system.
INTRODUCTION

Proximity International was contracted to conduct a research study on the impact of multi-purpose cash transfers on the markets and local economy in two locations for the Cash Consortium for Iraq (CCI). This study is part of the CCI’s objective of encouraging research and advocacy projects to understand whether MPCA has secondary and indirect benefits for the local population and areas, specifically on local shop owners and vendors\(^1\). It is also part of a CCI research initiative to provide a broad evidence base and key learning considerations both for the CCI and other cash actors working in post-conflict settings.

\(^1\) As opposed to, for example, voucher programmes that have supporting local businesses as a primary objective.
The Impact of Cash Transfers on Local Markets in Iraq: 
Lessons from Baiji and Rawa

The Cash Consortium for Iraq

In March 2015, the Cash Consortium for Iraq (CCI) was formed by the Danish Refugee Council (DRC), the International Rescue Committee (IRC), the Norwegian Refugee Council (NRC), and Mercy Corps as the lead agency. The CCI was formalised alongside the Cash Working Group (CWG) to enhance the impact of multi-purpose cash assistance (MPCA) and better meet the needs of conflict affected households by building a harmonised approach to MPCA delivery, fostering closer operational coordination, and expanding geographic reach. Oxfam joined the CCI in 2016 as the 5th implementing partner. Since its establishment in 2015, the CCI has received over $120,000,000 in funding from the UK Department for International Development (DFID), Global Affairs Canada (GAC), the European Civil Protection and Humanitarian Aid Operations (ECHO), the European Union Trust Fund (EUTF), the United States Office of Foreign Disaster Assistance (OFDA) and Food for Peace (FFP), and the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), to meet relief and recovery needs. Under this portfolio the CCI has reached over 75,000 vulnerable households (approximately 450,000 individuals) with MPCA across Iraq since 2015. CCI partners distribute MPCA according to a standardised approach agreed upon in the Cash Working Group. The transfer value is 480,000 IQD ($400) and was calculated based on the Survival Minimum Expenditure Basket, which estimates the average monthly expenditure for a family of 6 individuals (the average family size in Iraq) to meet their basic needs. All CCI partners select beneficiaries based on the same set of vulnerability criteria and follow the same targeting model. Locations for MPCA distributions are selected based on data on displacement trends and area-based needs assessments. Households are assessed door to door in order to give the opportunity for all residents in the targeted locations to be included as a potential recipient. Selected beneficiaries receive either one-off or three-month assistance depending on identified household vulnerabilities.

Study Rationale and Research Questions

With the increasing use of cash-based interventions (CBI) in humanitarian settings, there has been a growing demand for and interest in measuring the impacts and outcomes of these interventions. In contrast to traditional in-kind aid, CBIs heavily rely on local and regional markets which elicits the need to understand how cash injections
in these local economies affect them. While many impact assessments hitherto have focused on either households or the macro-level economy, this study adds to an emerging and much-needed research focus on micro-level economies, specifically those in conflict affected areas of the Middle East North Africa (MENA) Region. This study seeks to expand our understanding of the impact of cash on such everyday economies through creating in-depth profiles of two small markets in locations that were significantly damaged in the conflict and where residents did not receive cash assistance until the period of this study. It will furthermore support the purposes of first, accountability upwards towards donors and downwards towards beneficiaries and second, of learning for the CCI and for other similar or future initiatives.

The aim of this study is to assess and measure how the injection of MPCA into local markets impacts their recovery from conflict. Therefore, the main research question that guides this study is: In what ways did MPCA impact the targeted local economies?

Sub-questions in support of this are:

1. How did the market react to the MPCA? More specifically, how accessible were key goods, how have prices changed, how accessible was the market to primary beneficiaries?
2. How does socio-economic impact spread through the local economy and between different market actors?
3. Has the MPCA directly or indirectly affected power dynamics and social relationships in the local marketplace? If so, in which ways?
Analytical Framework

In order to explore these research questions and in order to meet these objectives, this study uses an analytical lens focused on market assessments and social cohesion. A market-based approach will help build a better understanding of how effects spill over from the target population to other market actors and to what extent they remain in the local economy. Furthermore, a social cohesion lens is useful because markets are part of social life, which is an inherently relational phenomenon. Markets usually consist of hierarchies of power, social relations and intricate webs of interest which may be altered or reinforced by interventions in local economies. Therefore, this study approaches the target markets with the recognition that social relations have an impact on how possible benefits or unintended consequences are distributed between different market actors.
The study focuses on two locations targeted for MPCA by the CCI: the southern neighborhoods in Rawa and three neighborhoods in northwestern Baiji. These two locations were selected for CCI assistance because infrastructure and economy were heavily affected by the conflict and residents had high levels of vulnerabilities. These areas were selected as part of this study because they had not received cash assistance for a year or more prior to their selection for CCI assistance, making it possible to control for previous cash assistance received.
Data collection for this study consisted of a baseline assessment to establish the market conditions prior to the distribution of the first round of cash assistance followed by an end-line assessment of the same businesses. These assessments measured a targeted set of market-related indicators along with complementary qualitative interviews with beneficiaries, local leaders, market actors and other key stakeholders after the cash assistance was distributed in each location. The specific approach for each data collection round is discussed in sections below.
Baseline Methodology

Data collection for the baseline component of this study was undertaken between 18 December 2018 and 7 January 2019 following the verification and selection process for cash recipients in each location. The baseline methodology was based on a three-step approach: a comprehensive desk review and a spending intentions survey followed by a market assessment.

- **Desk Review:** Research began with an extensive review of relevant documents and datasets, namely existing trader surveys and standardised market mapping tools, including the REACH Iraq Rapid Assessment of Markets (RAM), recent CCI research, and information available on MPCA and microeconomies on platforms such as the Cash Learning Partnership. This review gathered initial, indicative perspectives on MPCA and local markets and informed the study's analytical framework, methodological approach and tool development.

- **Spending Intentions Survey:** This consisted of a brief survey with beneficiaries who were selected to receive cash assistance aiming to assess the ways in which they intended to spend their cash and to further specify areas and businesses targeted for the second stage.

- **Market Assessment:** Proximity's researchers interviewed business owners in each location, first in the smaller neighborhoods and then in the larger marketplaces connected to these neighborhoods. Business owners in sectors specified by cash beneficiaries as areas in which they intended to spend their cash assistance – namely small groceries and the construction labor and materials sectors - were specifically sought out for interviews. After all of the small businesses in the target neighborhoods had been assessed, enumerators assessed a few shops in the central market areas frequented by respondents, as this is where most of the larger food markets, housing construction businesses, and daily workers are located. Table 1 below provides an overview of all baseline data collection activities per location:

<table>
<thead>
<tr>
<th>Location</th>
<th>Spending Intentions Survey</th>
<th>Market Assessment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baiji</td>
<td>39</td>
<td>40</td>
<td>79</td>
</tr>
<tr>
<td>Rawa</td>
<td>44</td>
<td>42</td>
<td>86</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>82</td>
<td>165</td>
</tr>
</tbody>
</table>

End-line Methodology

- Data collection for the end-line was undertaken between 22 February and 8 March 2019 following the last distribution of cash assistance in each location. It
consisted of 4 separate activities in each location that mirrored and built upon data collection activities for the baseline assessment. Each activity is described as follows:

1. **Follow-up Household Spending Survey**

   Proximity enumerators administered a quantitative phone-based follow-up household survey to the same 83 beneficiaries that participated in the Spending Intentions Survey during the baseline assessment. This assessment gathered information on:

   - Ways in which the cash assistance was actually spent as well as geographic locations
   - Beneficiaries’ perceptions on the impact of cash on their community, in general and also specifically as related to the local economy
   - Social connections between the beneficiary and businesses or individuals where the MPCA was spent

   The aim of the Household Spending Survey was to assess the extent to which cash assistance had remained in the local market, to include beneficiary perspectives on the impact of MPCA in local economies, and also to inform on how best to assess social linkages at play within the marketplace.

   Of the 83 beneficiaries originally contacted in the baseline assessment, 72 were reached during the end-line. Of the original 83, 6 phone numbers were incomplete, 1 respondent claimed he did not receive cash assistance, and 3 did not answer or had closed phone numbers.

2. **Follow-up Market Assessment**

   Between 27 February and 8 March, Proximity’s enumerators followed up with the same 82 business owners surveyed during the baseline assessment following the distribution of the last round of cash assistance in each location using an expanded set of indicators designed to 1) gather quantitative data on the same market-related indicators for comparison with baseline dataset and 2) narrow in on the perceived impacts of cash assistance from the perspective of market actors. Market assessment indicators gathered during the baseline and gathered for a second time for the end-line included information on prices, supply chains, sales volume, profit, credit and debit. Additional areas of inquiry that were added as part of the follow-up assessment were:

   2. During CCI verification, it was discovered that this beneficiary had already received MPCA from another CCI partner and was therefore removed from the beneficiary list.
• Social relations among business owners, employees, suppliers and consumers

• Extent to which business owners believed the distribution of cash assistance had an impact on any of the quantitative indicators listed above

• A more in-depth exploration of the credit and debit networks at play for each business

• Overall assessment of the extent to which business owners believe cash assistance impacted their business and the local market in general

Of the 82 business owners originally surveyed, only 67 were able to be located for a second interview. The 15 shop owners who were unable to be located again were all from Baiji. Of these, 6 were working in jobs outside Baiji, 3 shops had closed, 2 refused interviews, 1 person had passed away, and the remainder were unable to be located for unknown reasons. While it is unfortunate that the sample size was reduced so drastically in Baiji, the fact that so many shop owners were unavailable, had closed shops or were outside the city for other work speaks to how fragile and unstable livelihoods can be in a place so badly affected by conflict as Baiji.

3. Social “Value Chain” Case Studies

The research team conducted a series of in-depth interviews with beneficiaries and “secondary beneficiaries”, or businesses and individuals where CCI beneficiaries spent their money. For this component, 8 beneficiaries in each location were randomly selected from the Household Spending Intentions dataset and contacted for interviews. Beneficiaries were asked questions about their lives and livelihoods as well as the ways in which they spent the MPCA, including the specific names and locations of shops or individuals. Following the interviews with beneficiaries, Proximity researchers contacted and interviewed “secondary beneficiaries”. Secondary beneficiaries were commonly the owners of small grocery shops, wholesalers, construction materials salesmen and money lenders.

The main objective of this component was to develop a rich qualitative evidence base in order to nuance and contextualise the findings of the Household Spending Survey and the Market Assessment. The Social Value Chain Assessment also assessed the real or perceived impact of cash assistance on local market dynamics in each area from the perspectives of beneficiaries and business owners: who are the main actors, whether certain parts of the market are only available to certain actors and therefore cash is being channeled to certain people, and the extent to which social and political and social affiliations influence markets. In total, 13 beneficiaries and 21 traders and secondary beneficiaries were interviewed as part of the Social Value Chain Case Study component.
4. **Key Informant Interviews with local leaders and market influencers**

Lastly, the research team identified and interviewed 6 key informants such as mukhtars, local council members, sheikhs and large traders. The objective of these interviews was to draw out any macro-level market trends that have emerged in the three months during which cash assistance was being distributed. In total, 12 KIIs with local leaders and market influencers were completed as part of this study.

The following table provides a descriptive overview of all data collection undertaken as part of this study:

### Data collection activity

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>End-line</th>
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</thead>
<tbody>
<tr>
<td>Household Spending Intention Survey</td>
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<td>72</td>
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<tr>
<td>Social Value Chain Assessment Interviews</td>
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<tr>
<td>Baseline Market Assessment Survey</td>
<td>82</td>
<td>67</td>
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<tr>
<td>Key Informant Interviews</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Follow-up Market Assessment Survey</td>
<td>67</td>
<td>67</td>
</tr>
</tbody>
</table>

**Total Baseline**: 165

**Total End-line**: 191

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**Key Challenges and Limitations**

The main challenges and limitations faced in this study included difficulties reaching the same beneficiaries originally contacted during the baseline, especially in Baiji. The reduced sample size for the market assessment in Baiji was compensated by additional qualitative interviews with traders who had not been assessed as part of the baseline but were still aware of cash assistance and located in the target markets. Another overall challenge was recall bias, as some of the beneficiaries only received one payment and were therefore being interviewed about money they had received more than 2 months previously.

As a general rule, differentiating different streams of income once multiple sources of income are combined is difficult; this poses similar methodological issues for assessing the impact of cash. MPCA programmes looking to assess impact often need to use proxies and changes in outcomes (e.g., profit, sales) and infer impact where possible. Business owners were specifically asked if they knew when cash was distributed and to whom and asked to describe the business environment during that period, but still many of the findings are based on perceptions of business owners and beneficiaries rather than concrete quantitative findings. Pre-crisis data on these markets is almost nonexistent, allowing for little pre- and post-crisis analysis alongside pre- and post-MPCA analysis. The qualitative components
of this study attempt to fill in some of these pre- and post-crisis gaps, but little concrete information is available.

Further, this study does not attempt to estimate the multiplier effect of cash transfers in previously unserved areas. While this is a standard econometric means to assess the impact of changes in cash flows in markets, the authors were unable to find a working national estimate of the marginal propensity to consume (MPC) or the marginal propensity to save (MPS), key components of the multiplier effect calculation. Older regional estimates are available, but none were applicable to the post-conflict context and these estimates reflect very different economies (Egypt and Jordan). Additional research on the MPC in the formerly ISIS-controlled territories (or for Iraq nationally, that could be sensitivity-checked) is needed, as it would provide quantitative indication of the additional spending and income generated for every dollar of cash assistance transferred.

Lastly, this study occurred within a limited duration and scope that was insufficient to portray a full picture of market dynamics, given their complex nature. While some of the findings are relevant to the functioning of small-scale marketplaces in Iraq at large, this study must be read within this limited scope and local geographies where it was conducted.

**Report Structure**

This report first discusses findings related to the functioning of small marketplaces in conflict-affected areas in a general sense. This section is meant to provide a rich and comprehensive framework through which the findings related to the impact of cash assistance in local markets must be understood. Findings specific to the impact of cash assistance on the economies of Baiji and Rawa comprise the section following the market analysis. Between sections are in-depth case studies of traders who either received MPCA or work in areas where the MPCA was distributed. The objective of including these case studies is to dive more deeply into the individual stories of beneficiaries and traders and how they reflect the ways in which MPCA interacts with the complex socioeconomic networks, coping mechanisms and norms in each location. The report concludes with a section on the main conclusions and recommendations for cash actors operating in areas where markets function in a similar way to those described in the market profile section.
Before the conflict, Salwa* and her husband were building a house for their family, one installment at a time. They lived with her husband’s parents and they would build whenever they had enough saved up. A kitchen here, a stairway there. Then the conflict started and they had to leave, and then her husband got sick, and then Salwa and her husband had an argument with his parents. When they decided to come back to Baiji, her husband’s parents wouldn’t let her and her husband live with them, but luckily a neighbor who found a job and decided to stay in Erbil let her family and two other families live in his house. Until he comes back, that is.

Salwa and the women of the other families converted the diwan meeting room at the entrance of the house into a small shop frequented by other neighborhood women. Salwa sells candy and chips for children’s snacks, basic food items like oil, rice and tomato paste, and chicken and goat meat stored in two big meat freezers on the eastern wall. Another one of the women of the house sells clothes, perfumes, soaps and children’s clothes, all carefully displayed on a makeshift wooden rack on the northern-facing wall. The three women take turns watching over the shop while the others cook, clean or pay social visits to other neighborhood women.
Salwa’s husband is too sick to work, but he supports the business by purchasing the items wholesale on credit from Abu Bakir*, a food supplier in Tikrit. Whenever a critical mass of items sells at Salwa’s shop, Salwa and her husband deliver a payment to Abu Bakir, to whom they currently owe 600,000 IQD ($500). Salwa complains that the government is levying taxes, forcing her to drive up prices, and to add insult to injury, no one has received the government public food distribution packages for 3 months. She hopes that the packages will be delivered again soon, and that prices will go down. Yes, a price drop might mean that her profits will be lower, but it also means that she and everyone in her community will have enough to eat for a while.

Because she knows people are struggling and aren’t receiving their food baskets, Salwa sells a lot of food on credit. Right now, she says, she’s owed around 300,000 IQD ($250). Sometimes her debtors aren’t able to pay her back. When three months rolls around and a family hasn’t paid her back, she goes around knocking on doors for her money. “It’s no use,” she says. “I know they really don’t have it, but still we need to pay Abu Bakir.” Salwa and some neighboring families recently received a cash grant from the CCI, and that helped a little bit with the debt situation. Some of the people who received the grant came and paid me back, she says, but most of them spent it either on medical care because there are so many sick and injured people around here or on rebuilding their destroyed houses.

A woman with bright green eyes and a matching green dress, quietly sitting on the floor next to Salwa sheepishly admits, “I’m one of them. I owe her money. But our roof is leaking water into our kitchen right now and causing a huge mess. It was destroyed in the conflict and we really need to fix that first.”

*Names have been changed for confidentiality.
IV | THE FUNCTIONING OF IRAQI MARKETS IN THE POST-CONFLICT ENVIRONMENT

This section provides an overview of the socioeconomic and relevant political dynamics at play in both locations that were assessed as part of this study. It then provides a contextual market analysis meant to outline key considerations on the economic framework within which cash was distributed in both locations. It will be followed by a section covering a comprehensive analysis of the ways in which cash assistance impacted or did not impact the economic environment in each location.
The ISIS Conflict in Iraq

After three years of devastating conflict that displaced more than four million people, Iraq is entering a period of stabilisation and early recovery. ISIS swept through Iraq in 2014, quickly capturing a large swathe of territory across the western and northern governorates, including the cities of Ramadi and Fallujah in Anbar governorate, Mosul, Iraq’s second-largest city, and more areas in central Iraq. A coalition comprised of the Iraqi Security Forces (ISF), the United States and its allies, the Kurdish Peshmerga, and Popular Mobilisation Units (PMU) – led a series of counter-offensives against ISIS throughout 2014-2017, culminating with the Government of Iraq (GoI) declaring defeat over ISIS in October 2017. Since then, with support from the international community, the GoI has been clearing formerly controlled areas of unexploded ordnance and restoring services restored to facilitate the return of displaced families.

A Contextual Profile of Baiji

Baiji is a small city located near a major oil field about 200 kms north of Baghdad with a pre-crisis population of 205,000. Historically, Baiji’s economy has been largely dependent on the functioning of the oil refinery. In June of 2014, the Islamic State of Iraq and Syria (ISIS) launched an offensive to seize control of the city and the oil field. The damage caused to houses and businesses in Baiji is immense. The ISIS offensives and the Iraqi Security Forces (ISF) counter-offensives to reclaim control displaced the majority of civilians living in the city and surrounding villages, damaged the refinery and destroyed large parts of the city’s infrastructure. Nowadays, responsibility for securing the area is divided among the ISF, the Iraqi Police, and a handful of Popular Mobilisation Units (PMU).

Families from the eastern part of the city were allowed to start returning first in June of 2015.

whereas the western part of the city was only cleared for return in mid-2018. Therefore, as of November 2018, only a few hundred families had returned to the eastern areas whereas 90% of the population in the west had returned.

Economic reconstruction in Baiji has been happening slowly. In Nov 2018, the central market was reportedly functioning near its pre-crisis capacity and four of the refinery’s units were working. However, many businesses and houses were destroyed by the conflict and many families are focusing their resources first on the reconstruction of their homes and then on reconstruction of their businesses.

Some business owners in Western Baiji have returned and begun restoring their businesses. However, many are struggling to recover from the immense damages incurred during the conflict and have had to take out significant loans in order to begin the process of rebuilding. Many business owners who formerly owned shops in the city center have built or re-built new, smaller shops for their business needs or sell items out of houses, or parts of houses they have managed to rebuild because they can’t afford to rebuild the heavily damaged or destroyed larger venues they used to own. Further, many of the large traders have reportedly not yet returned or have moved the main branches of their businesses elsewhere and opened small shops in Baiji because they do not have the capital to rebuild, feel threatened by the current security situation, or fear a lack of economic stability.

Map 2 |
Map of Baiji City (yellow) and target neighborhoods for CCI assistance December 2018 - February 2019 (orange)
A Contextual Profile of Rawa

Rawa is a small town located along the Euphrates river near the border town of Qaim that has historically depended on agriculture and has benefitted from trade with Syria. Before the ISIS conflict, local leaders estimate the population of Rawa was 28,000 people. According to multiple journalistic sources, Rawa was the last town that was controlled by ISIS to be retaken by Iraqi Security Forces in November of 2017, meaning that Rawa was under IS control for more than three years. According to the Iraq National Protection Cluster, returns to Rawa started in January of 2018. A year later, approximately 12,000 people had returned, or 43% of the original population. There is reportedly tension between those who remained and those who were displaced, where some are unable to return because of tribal and political tensions and others who have yet to return are looking for work in other parts of Anbar or cannot return because their houses are destroyed. IRC staff estimate there are approximately 60 shops in total in Rawa, namely workshops, groceries, carpenters, clothing stores, small fruit stands and a few stationery shops near the government buildings. There is currently no agricultural production in the area and there is no trade with Syria ongoing. They also noted that sometimes there are construction workers who wait near the side of the road looking for work. According to Proximity’s researchers, the infrastructure in Rawa was not as badly affected by the conflict as it was in Baiji because ISIS only targeted specific houses belonging to government supporters and because it was not as strategically important as Baiji. They also noted that many of the returnees are living in houses that are somewhat damaged and are struggling to repair them to their former state.

Once displaced residents began to return, Rawa was divided into three sections for cash assistance: one was to be assisted by the NGO Terre des Hommes and two were to be assisted by the IRC/CCI, including the southern area of the town. Since it has only recently been secured for humanitarian work, the southern part of Rawa had not received cash assistance since the return of the IDPs.

Market Analysis | Local Economies in Baiji and Rawa

There is evidence that the cash assistance distributed between December 2018 and February 2019 impacted the economies of the two locations assessed as part of this study. However, this impact must be framed within the larger context of certain patterns within the non-urban Iraqi economy and in consideration of the fact that these communities and economies are just beginning to recover.

5. IOM DTM Returnee Master List, November 2018.
from a conflict that nearly destroyed them. The section below frames the findings on the impact of cash assistance within this context through describing a number of key economic patterns that have emerged in the duration of this study. Since findings highlight strong similarities in how the markets function in both locations, the market analysis covers both Baiji and Rawa, highlighting areas where the situation in each location differs.

**Impact of the ISIS conflict on local businesses**

Businesses in Rawa and Baiji that have been functioning within the pre-existing framework of the informal economy are still suffering from the consequences of the conflict. More than three quarters of traders surveyed as part of this study had been forced to flee during the conflict, had their storefronts and stock damaged or destroyed, and had been forced to give away goods.
In Baiji, where all businesses along the main market street were heavily damaged, many business owners who returned have re-opened their shops in smaller buildings that were less damaged than the original shops. This is happening to a lesser degree in Rawa where the market also suffered damages, but not to the same high degree as Baiji. In order to regain their stocks and restore their businesses, many shop owners described going deep into debt, most commonly to their wholesalers, families or friends, in order to re-establish themselves. Cash assistance was injected into markets where businesses are slowly recovering from widespread destruction and where this recovery is largely dependent on pre-existing personal and business connections and the trust-based credit system, described later in this section.

Informality of Small Non-urban Markets

Outside of major urban centers like Baghdad and Mosul, marketplaces in rural Iraq have historically been largely informal and, like many other facets of Iraqi public life, heavily influenced by social ties. Most businesses are family ventures, where one individual, usually a working-age male, assumes the brunt of the responsibility for managing the business and where a wide range of family members join in to support on an as-needed basis. Only 8 businesses across the two locations had more than two employees including the owner, and only a few said they did not have a personal relationship with their employees (they were most commonly family members) before they started doing business. According
to the International Labor Organization (ILO), businesses in Iraq are also largely unregistered due to complicated bureaucratic procedures involved\(^6\), and findings of this study mirror this: just 16% of businesses assessed as part of this study were formally registered. Therefore, most businesses where cash assistance was spent are unregistered, informal, family-oriented small ventures with only basic analogue bookkeeping methods.

### Women in the Marketplace

Of the 82 total respondents for the baseline trader survey component of this study, 15 were women. The prevailing conservative cultural norms in both areas dictate that younger women remain within the house and infrequently appear in public; however, since it is generally more accepted for older women to appear publicly, a few of the older women interviewed were physically present in public storefronits.

Younger women who participate in the economies of Baiji and Rawa were selling items such as food, candy, and clothing for women and children or services such as sewing cushions or clothing out of their houses to other women and children in the area. Husbands or other male family members usually travelled to obtain the goods on wholesale and provide them to the women to sell out of their houses. Younger women interviewed in both locations mentioned that they were motivated to open businesses to supplement the family’s income, often because their husbands were unable to do so because they are dead, missing or ill. In Rawa, it was noted that many of the women surveyed were widows from the conflict and that their “customers” considered their purchases more as donations.

**Prices, Sales Volume and Profits**

Prices are inconsistent and dependent on a variety of factors. These include fluctuations in the US dollar, formal import taxes and the informal taxes businesses are required to pay at checkpoints. Smaller traders rarely know the actual prices they will be asked to pay when they visit their wholesalers, since prices are so heavily dependent on random variables like how much the wholesaler will be asked to pay at the checkpoints and whether the government distributed the Public Distribution Baskets in the area lately. While many traders mentioned these issues during in-depth interviews, only around 10% of respondents reported fluctuations in prices in the three months during which cash was being distributed, mostly due to increased demand because of the return of the IDPs and having to pay taxes. This is possibly because respondents understood the questions in relation to the distribution of cash assistance and did not attribute any fluctuation in prices to cash, or because the fluctuations in prices are negligible.

In addition to a somewhat unstable market environment, traders report that the sales volumes and profits are still much lower when compared with the pre-IS era. According to shop owners this is because of a limited customer base, where a large portion of families in Baiji and Rawa have yet to return, including many of the former “big traders”. Only 35% of businesses - mostly the large wholesale or “supermarket” owners – reported receiving more than a few customers per day, and only 27% of business owners reported profits above 200,000 IQD ($170) per month.

35% of Business Owners report receiving more than a few customers per day

27% of Business Owners report profits above 200,000 IQD ($170) per month
The Impact of Cash Transfers on Local Markets in Iraq:
Lessons from Baiji and Rawa

Figuer 2 |
Profit ranges reported by traders in the 3 months during which MPCA was distributed

<table>
<thead>
<tr>
<th>Profit Range</th>
<th>Rawa</th>
<th>Baiji</th>
</tr>
</thead>
<tbody>
<tr>
<td>IQD 1,000,000-1,249,999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IQD 900,000-999,999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IQD 600,000-699,999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IQD 500,000-599,999</td>
<td></td>
<td></td>
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<td>IQD 350,000-499,999</td>
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<td>IQD 200,000-349,999</td>
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<tr>
<td>IQD 149,000-200,000</td>
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<tr>
<td>IQD 100,000-149,999</td>
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<td>IQD 500,00-49,999</td>
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<tr>
<td>IQD 100-49,999</td>
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</tr>
</tbody>
</table>

0% 5% 10% 15% 20% 25% 30% 35% 40%

Image 5 |
Destroyed shop of Ibn Sittouta for Wholesale Kitchen Supplies

Image 6 |
Restored shop of Ibn Sittouta for Wholesale Kitchen Supplies in Baiji
It is also important to understand that in an informal and depressed economy, business ownership does not necessarily preclude socioeconomic instability. Because the CCI draws from a wide range of socioeconomic vulnerability indicators, in Baiji, 30% of the shop owners surveyed had themselves received cash assistance from the CCI. When considering the impact of cash assistance in small, conflict-affected markets, it is important to remember that most businesses are small, informal, family-run projects and while many small businesses have recovered to the point where they are functional – a prerequisite for MPCA distributions - the effects of conflict are wide-ranging, long lasting and continue to deeply affect the personal and economic lives of shop owners. On the other hand, no business owners assessed in Rawa were MPCA beneficiaries.

**Trust-based Credit and Debit System**

According to all traders interviewed, business agreements in Iraq’s informal economy were often located within the boundaries of a trust-based credit and debit system that extends all the way from wholesalers to traders and consumers even before the conflict. These agreements most commonly do not involve contracts, as signing a contract indicates a lack of trust and in cases where there is a strong social connection between the lender and borrower, asking for a contract could be construed as offensive. Even today, payments are generally made on an ad-hoc basis and depend on how quickly the shop owners are paid back themselves, since they too are selling goods on credit. For example, one business owner who sells large electronics such as TVs and computer monitors in the Rawa central market reported that he owed as much as 5,000,000 IQD ($4,000) to his wholesaler in Baghdad at the time of this assessment. Customers then purchase these items from him on credit and pay him back over a period of 3 to 6 months. Only after these customers have paid him back for his goods will he be able to pay off his wholesaler.

This is but one example of many similar relationships that exist between wholesalers, traders and consumers described by respondents in this study: 83% of traders in Baiji and 51% of traders in Rawa purchase their wholesale items on credit and more than half owe 750,000 IQD ($620) or more, both in

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**Do you purchase wholesale items on credit?**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>83%</td>
<td>17%</td>
</tr>
</tbody>
</table>

**Figure 3**  
Percent of traders who purchase their wholesale items on credit.
recent debts and debts they owe from the pre-IS era.

Before the IS conflict, businesses in Baiji and Rawa commonly operated in this way and have gone into significant debt to their wholesalers after the stock they had purchased on credit was destroyed. Indeed, almost all of the traders interviewed as part of this study said their stores had been destroyed, they had lost stock, or both. One furniture salesperson from Baiji who remained displaced in Tikrit said he lost as much as 100 million IQD ($83,000) worth of stock in the conflict, and others listed similarly high amounts.

Many shop owners mentioned owing debts to their wholesalers from before the conflict, and wholesalers were quick to bring out their ledgers and point to the various names of community members who owed them “pre-Daesh” debts. One large construction materials trader in Baiji claims that Baiji residents owe him as much as 240,573,000 IQD ($200,000), both in debts from before the conflict and new debts. “There is no one in Baiji who does not owe me a debt,” he said. Another wholesaler in Baiji mentioned that he owed 67 million IQD ($56,000) to his wholesalers from the pre-IS period and an additional 30 million IQD ($25,000) from the reconstruction. While this trust-based credit system is not necessarily new, the conflict has made it more widespread and increased the amount of debt owed as residents return and borrow money to rebuild their houses and their livelihoods. The trust-based credit system should be considered as the main framework in which cash assistance is functioning within the economies of the two locations assessed as part of this study.

**Markets, Debt and Social Cohesion**

Social ties and employment status dictate loan eligibility for businesses and also for individual consumers. Almost all traders interviewed said they would only provide loans to people they know and many mentioned they were more likely to grant loans to government employees, since they have a stable monthly salary. “Free laborers”, the Arabic term for the young men who wait around in the town center hoping someone will hire them, earn low wages and their work is inconsistent, are considered a bigger risk. However, if someone wants to broker a loan agreement but doesn’t have the right connections, they can ask a well-known community member or leader such as a mukhtar or a sheikh to act as a “Waseet” and broker the agreement for them. This applies to both personal loans and business loans. Then if loans are not repaid – which had happened at least once for 75% of traders surveyed – creditors can hold the sponsor, the debtor’s father, or even tribal leaders liable.

For the average family, such “loan agreements” are better termed as the ability to purchase items, namely food items, on credit from local shops. Over 80% of business owners...
assessed in the end-line said they had sold items on credit over the past three months and at the time of the assessment were owed as much as 3.5 million IQD ($3,000). According to the spending intentions survey, residents generally purchase small items such as food, cleaning and hygienic items from shops near their homes.

The ability to purchase items on credit was described as a critical component of being able to live and do business in the post-conflict environment. A number of traders said that selling on credit was better than not selling anything at all. One trader said, “[We sell on credit] because this way there’s movement, and not stagnation”. Cash assistance entered markets where many businesses and consumers are surviving on money that has been borrowed on informal agreements where debts are paid back on an ad-hoc basis: they are paid whenever the borrower has the money.

Despite the fact that three quarters of business owners said that they had given loans that were never paid back at least once, few have taken action beyond repeatedly asking the borrower to pay or following up with a family member, sponsor or tribal leader. Cases of debt delinquency almost never go to court, and since there are no contracts, it’s almost impossible to prove who is in the right. “It would turn into a he-said-she-said situation,” one trader said, “It wouldn’t go anywhere.” Besides, most lenders say it’s useless because they know the person doesn’t have the money. As one lender put it, “When the family doesn’t pay back, the reason is known. In Baiji we are all suffering from the same thing.” When asked why lenders provide loans when they aren’t very confident in someone’s ability to pay them back, most described giving loans as acts of generosity and social duty. This sentiment is unsurprising in communities with strong social bonds and a religiously-influenced sense of moral obligation at work in these areas. However, it does beg questions on the ways in which debt might influence community power dynamics, its potential to facilitate exploitation and even stir unrest or conflict. This question was beyond the scope of this study, but it is suggested to be explored in future research.
Salem* lives in his family’s house in the Rawa Old City with his mother and seven siblings. His father passed away and he, his mother and his family members suffer from disabilities and sicknesses and are unable to work. Therefore, the only income is the widow’s pension his mother receives from the government: only 315,000 IQD ($260) per month to support a family of 9.

Salem suffers from a disability in his left leg due to a childhood accident. He also has a chronic lung disease that requires him to receive regular treatment, which is not available in Rawa. He goes to Dr. Abdullah*, a doctor specialised in chest, abdomen and lung diseases in Fallujah, to receive treatment for his lung disease regularly. Recently he wasn’t able to make his payment for the treatment, so he borrowed 700,000 IQD ($580) from his cousin.

Fatima*, Salem’s mother, was selected to receive cash assistance in three rounds from the CCI. Although their income is very low, they don’t have to worry about rent for the house so most of it goes to food and basic items. There is never any savings left to take care of the massive medical needs in this family, so when the cash assistance came she gave it to Salem so he could pay his cousin back and get additional treatment. Salem says he’s saving a little bit of the cash for the next treatment, but most of it was spent immediately on the urgent needs of his family.

*Names changed for confidentiality.
This section describes the impact of cash assistance on the markets of Baiji and Rawa in light of the information on how businesses are functioning in general, described above. It first covers the extent to which respondents were aware of cash assistance and to which it is thought to have remained in the respective marketplaces. It then goes on to outline findings related to business formalisation, prices, sales volume, credit and debt. Comparative analysis between the two locations is drawn out when applicable and necessary and comparative analysis between the two rounds of data collection is also included as relevant. This section concludes by summarising overall perspectives of beneficiaries and market actors on whether and how cash assistance impacted their economy and communities more generally.
The Impact of Cash Transfers on Local Markets in Iraq: Lessons from Baiji and Rawa

The Value of Cash Transferred

Between the baseline and endline, $770,800 was transferred to households in Baiji and Rawa. The majority - $674,800 - was transferred to households in Baiji, with $96,000 being transferred to households in Rawa. This was due to more households being eligible for one-off transfers and multi-month transfers in Baiji. Shortly after the endline, a further $158,000 was transferred as final payments to households in Baiji, however the trader and household surveys were conducted before these transfers were made and spent in local and larger markets.

Community Awareness of MPCA

In the context of informal marketplaces like Baiji and Rawa where goods are bought and sold on credit and where social ties heavily influence consumer habits, it is generally known who has received cash assistance in the area. Indeed, all but one respondent reported they were aware that cash, reverently termed “The 480” 7, had been recently distributed to residents in the area by word of mouth. At the neighborhood level it was common for residents to know which families had received cash assistance and how many payments they received, as well as who had not received. However, large traders and wholesalers were less likely to know exactly who had received assistance since their businesses serve so many people and therefore had more difficulty commenting on whether cash recipients had frequented their businesses.

For communities in recovery from such significant destruction, it is important to remember that owning a business does not preclude socioeconomic vulnerability. In fact, 30% of traders in Baiji were also MPCA recipients. Most spent this cash on paying debts, healthcare and purchasing essential food and non-food items, but a few noted they used some of the assistance money to support their businesses by purchasing additional stock.

Extent to which CCI assistance remains in local markets

Despite the fact that assistance was widespread in both locations, this study found that a significant amount of cash assistance does not necessarily stay confined within the local market. Businesses may be informal, but they are connected with larger markets beyond the target communities and, like many people who have been recently displaced, respondents frequently mentioned traveling outside of Baiji or Rawa to spend their cash on specific goods or services. The strongest evidence for this is that one of the main priorities for household spending as per the household spending

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7. Colloquial term for the CCI cash grants. The payment amount, $400, is 480,000 IQD.
intentions survey and also corroborated by CCI post-distribution monitoring assessments is medical expenses. Since medical services remain limited in the assessed locations, families often traveled to clinics and hospitals in nearby cities like Ramadi or Tikrit, sought services in large cities like Baghdad or Kirkuk, or even traveled outside of the country for treatment.

In consideration of the limited options available from the public healthcare system, it makes sense that hundreds of cash recipients would rush to take care of urgent medical cases the moment they have the ability to do so. The fact that CCI vulnerability targeting is sensitive to urgent medical cases and the fact that medical care is more accessible in areas less affected by conflict may diminish the extent to which cash assistance money is retained within smaller local markets, therefore limiting its impact. Even where the cash is spent in local markets, because the assistance is used by traders to either pay for their own medical costs and other non-locally available goods or services outside of the local market, or to repay debts owed to creditors based in the larger connected markets, the cash that is spent locally quickly leaves into larger economic centres.

**Impact of MPCA on Business Registration and Employment**

There is no evidence that cash assistance impacted registration or employment. No respondents mentioned having registered their businesses or gaining employees in the period following the distribution of cash assistance. As business registration procedures are long and complicated, it is unsurprising that businesses in general, and especially in areas affected by the conflict, are not prioritising registration. As described above, most small businesses are informally run, often by a group of members of immediate or extended family who support the business but who also may have other jobs. Therefore, “number of employees” is a complex subject to assess, and there is no evidence that businesses formalised or grew to the point of hiring new, formal employees.

**Impact of MPCA on Profits and Sales Volume**

Similarly, there is little evidence cash assistance impacted profits or sales volume in businesses operating within the target communities. In December 2018, 75% of respondents reported net profits below 350,000 IQD ($300) and in February 2019 this percentage had actually slightly increased to 79%. While the majority of respondents reported profits had remained the same, 24% of respondents reported that profits had increased during this period, most commonly citing the return of formerly displaced families as the main reason for increased profits. Similarly, 20% of respondents reported increased sales volume for the same reason. Only one respondent in Baiji said the prices of the meat he was selling increased because of an increase in demand after the distribution of cash assistance;
otherwise, no traders reported that prices rose as a result of the MPCA distributions. Because so many of the MPCA beneficiaries were returnees themselves, the influence of MPCA is linked to the most commonly cited reason for profit fluctuation. However, MPCA was cited as a factor rather than directly attributed as a reason for increased profits.

Approximately 75% of respondents in Baiji and 40% of respondents in Rawa said the cash assistance increased their sales volume and profits or helped keep them stable, but only in a general and somewhat abstract way. Respondents knew the cash flow in their area had increased and believed this can only be good for business, but very few directly mentioned cash assistance as a reason for any improvement in their businesses. Two respondents directly mentioned that their sales had increased due to the provision of cash assistance, but the prevailing trend was for respondents to speak of cash assistance as a factor indirectly supporting the general trend of return and revitalisation rather than a clear reason for changes in business. With so many households so far in debt, MPCA is not necessarily entering the economy as additional spending, but rather covering expenses that have already been made.  

**Impact of Cash Assistance on Personal and Business Debt**

Although there is little evidence that cash assistance had a quantifiable impact on profits,

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8. According to CCI post-distribution monitoring data, beneficiaries report spending 30-35% of MPCA on paying back debts.
there is significant evidence that cash assistance did impact the ability of individual consumers to pay back debts they owed, both from the period of their displacement and also from the period following their return. Approximately one third of household survey respondents said that paying back a debt was one of their top three priorities. However, this figure could be much higher, considering the blurred lines between debt and sales and the complexity of spending patterns in this context. For example, it is not possible to tell whether the 30% of household survey respondents who first prioritised food, purchased their food outright or paid off debt for previous food purchased that enabled them to purchase more.

More than half of the business owners surveyed said that people they knew to have received the cash assistance came to them and paid their debts. A shop owner named Miriam described, “When people got their payment, they immediately came to my shop to pay me. They came even in the same day as the distribution. After people received the cash all of my stock sold!” Many other owners of small shops echoed this sentiment, noting that in the first few days following a cash distribution there was an uptick in customers who came to pay off food or household items they had previously purchased on credit and to purchase additional items – often again on credit.

While the cash assistance had a clear impact on the abilities of recipients to pay off loans and keep open critical lines of credit, there is little evidence that cash assistance reduced the net total of debt owed by either businesses or individuals in these two communities, and in fact, may have increased it. Nearly 80% of businesses said the amount of debt they are owed remained the same during the assessment period, 15% reported it had increased and 6% reported it had decreased. As previously mentioned, businesses reported being owed as much as 240 million IQD ($200,000), and beneficiaries reported owing as much as 4 million IQD ($3,330) to various lenders. When compared with the sheer magnitude of debt prevalence and the high amounts owed in post-conflict markets, cash assistance has little effect on how much of the economy is operating on debt. Rather, beneficiaries who said they used the cash assistance to pay off debts to local businesses said that having been able to pay off debt built the trust of their creditors, in turn enabling them to take out more loans. It is likely that there is a hierarchy in the prioritisation of loan payments and that it is possibly related to keeping certain lines of credit open for future purchases, but because this was an end-line findings, this study did not explore this subject. However, it is deserving of additional research.

**Overall Impact of Cash Assistance on Local Markets**

Overall, the majority of business owners said they believed that cash assistance positively impacted their businesses and the local market
more generally. Likewise, all beneficiaries said they also believed cash assistance had a positive impact. However, this sentiment must be understood similar to the way in which respondents believed cash assistance to have positively impacted their sales and profits: there was a general market benefit, but little hard evidence for why, who or how it had benefitted apart from the beneficiaries themselves. Most respondents said the market benefitted generally because “the cash assistance stimulated more movement in the marketplace”, but a few pointed to specific sectors that benefitted, namely the construction sector in Baiji. The Mukhtar of Hay Al-Asmida in Baiji noted, “[The CCI] has now helped people return and reconstruct their houses” and a few construction shop owners near this neighborhood said they saw an increase in customers during the months in which cash was distributed. However, they did qualify their observation by noting that the number of families who returned had also increased during the same time period, which is also a contributing factor in their increase in sales.

Interestingly there was a marked difference between the way in which respondents in Baiji perceived impact versus in Rawa. This difference hinges upon community perceptions around the extent to which cash targeting processes was fair. In Baiji, not one respondent said they believed cash did not benefit the market whatsoever whereas in Rawa nearly half believed there was no benefit. Many respondents in both locations expressed they felt the cash targeting process was “random” and that they did not understand why some families received the assistance and others didn’t. However, in contrast with Baiji, trader respondents in Rawa believed that wealthy residents with political patronage had received the cash assistance and that those who received it had taken it, therefore limiting its influence in the local market. Within the confines of the methodology used for this study it is not possible to assess the validity of these claims. None of the businesses surveys targeted in Rawa were part of the targeting process themselves. Further, the CCI targeting criteria cannot be shared openly with beneficiaries for the sake of objectivity and to control for manipulation of the process, therein contributing to the confusion surrounding beneficiary selection. However, it is clear that there is confusion around the cash assistance targeting processes, particularly in Rawa, and this confusion impacts community perceptions around its socioeconomic benefit across the board.

9. As per the interview data, it is unclear what exactly was meant by the allegedly wealthy beneficiaries having “taken” the cash. However, many expressed they felt that the cash had not remained in the local market.
Zaina’s family lives alongside the families of her husband’s two brothers in a spacious, palatially styled house in Baiji. All of the families’ houses were destroyed or damaged during the conflict, so when they decided to come back to Baiji in November 2018, the families of three brothers banded together to live in the house that was the least damaged. This one only needed minor construction work whereas the other houses would need to be totally rebuilt, and by pooling together their resources they were able to pay for the necessary work for the one house.

A table with boxes of brightly colored packaged candy, chips and other small items sits at the entrance of Zaina’s bedroom and an old Singer sewing machine is lit up by the sun coming...
through a window. Zaina says she wanted to contribute to the family's income by selling candy and chips to the neighbor kids and by sewing cushions. Her husband helps out by purchasing goods from Ibn Moussa, a local candy and small food item supplier who supplies items to lots of small businesses around town. She doesn’t earn much – only a few customers order cushions, and they bring in only 2,500 IQD ($2) per meter while the candy store yields around 100,000 IQD ($83) per month - but anything helps. Learning how to sew clothes is the next step, she says, as it is more profitable. When she was displaced in Tikrit an NGO registered her for a clothes-sewing vocational training course, but in the end she wasn’t selected as a participant.

Aysha, the wife of the second brother, lives in the room next to Zaina. Like Zaina, she has a small business she runs out of her room selling children’s clothes and undergarments to other women in the neighborhood. She complains that when they were living in Tikrit she made more money and that women came to buy her clothes from more areas, but in Baiji no one has enough money to buy her clothes. Things are getting better though, little by little, she says. Last month, more people came than the month before, and in part thanks to the CCI cash grant she received, she was able to purchase additional items for her business, like makeup and soaps. Neighbors who also received the cash grant made up a few of her customers this month, but the main reason for the business pick-up is that more families are coming back from displacement and the customer base is slowly growing back.

The nearby school breaks for its second shift, and a gaggle of kids rush into Zaina’s room to pick out their after-school treat for the day. Zaina pulls out her little ledger notebook and marks down whose children grabbed what so that she can follow up with their parents for payment. Last month, some of the families who received the CCI grant paid back their candy debts, but many families still don’t have the money to pay her back, she says. She lets the kids grab what they want anyway.

*Names have been changed for confidentiality*
CONCLUSIONS

This study originally sought to assess the impact of cash assistance on non-urban and conflict-affected markets. What has emerged is a much-needed portrait of how markets that are recovering from conflict are functioning, a nuanced view of business and beneficiary spending patterns that factors in the market as a social space, and an exploration of the role of cash assistance within the prevailing trust-based credit and debit system.

Some small business owners who sell items on credit to members of the local community noted that CCI beneficiaries who owed them money came to pay the loans. Otherwise, there is little evidence that cash assistance had a quantifiable impact on the local markets in Baiji and Rawa. One reason for this is because it appears that a significant amount of the assistance was spent outside of the markets for services such as medical assistance, but this finding mostly speaks to the challenges around assessing the complexity of markets that are small, but still largely connected to national and international supply chains.
This study has also drawn attention to the way in which the trust-based credit and debit system worked in the past and how businesses and beneficiaries have leveraged it to recover their lives and livelihoods. Social ties heavily influence the terms of these agreements, where small shop owners and wholesalers are likely to lend to people they know. Agreements are informal and contract-free and it is extremely rare for cases of debt delinquency to be reported to the courts.

Many creditors said their motivation to give out loans is out of a feeling of social duty to fellow community members affected by the conflict. While there is no reason to doubt this sentiment as genuine, it is likely there are more factors at play in this decision-making that have not been explored. More research is therefore needed on how these agreements play out and the linkages between creditors and debtors, as it is important for cash actors to be aware of the economic power dynamics at play in any community and how an increase in cash flow may affect these dynamics.

This study reiterates the strong preference of conflict-affected communities for cash assistance over other forms of assistance. However, there is confusion around cash assistance targeting and some doubts cast over its socioeconomic impact due to questions around the allegedly “undeserving” beneficiaries taking cash out of the local market. This is to some degree inevitable though, when targeting cannot be shared in full and not everyone will receive assistance, by definition.

Although questions remain around community perceptions on deservedness and market power dynamics, there is no evidence that providing cash assistance had any negative impact on the local economies of Baiji and Rawa. On the contrary, there was an overwhelmingly positive response from all actors interviewed and surveyed as part of this study, where many mentioned that “[the CCI] was the only organisation that assessed us and did anything”. While increased sales and profits were not directly attributed to cash assistance, it was frequently mentioned as a factor among others contributing and strengthening the overall trends of return, stabilisation, and revitalisation in these communities.
VII | RECOMMENDATIONS

1. **Rethink the way in which we assess recovering markets.** Market assessments should be more sensitive to the fact that taking on high amounts of debt is a very common way for businesses and individuals to recover what they lost in the conflict. Current standardised market assessment tools rarely include indicators that are sensitive enough to capture a nuanced picture of business formality, the roles of women in business, social power dynamics, and the complex relationship between profit, credit and debit. Markets are institutions, meaning they are as much cultural phenomena as sites of economic activity with formal and informal rules, especially so in small communities. Understanding the socioeconomic power dynamics and how these interact with the credit and debit system can provide rich insight into how cash assistance is likely to flow throughout an economy. Tools used to assess markets, specifically conflict-affected markets in the MENA region, should be adapted to capture knowledge around these dynamics in recovering markets.

2. **Consider exploring programming specifically targeted towards business and personal debt management and/or relief.** It is difficult to separate out debt from regular spending patterns due to the prevalence of the trust-based credit and debit system. However, individuals and businesses who are recovering from the destruction of conflict are taking on very high amounts of debt, which is likely impacting their ability to truly stabilise their lives. Debt relief programming could lift beneficiaries out of poverty and also out of potentially exploitative situations and also stimulate local economies, but merits would have to be assessed against the fact that debt relief could be leveraged to actually send beneficiaries into greater debt. While there are risks involved, a positive outcome would be shifting communities from ‘red’ to ‘black’, raising the income baseline from which MPC, CFW, and business grant interventions start from.
3. **Better communicate cash vulnerability targeting to receiving communities.** In both locations, beneficiaries and traders expressed they felt the targeting was “random.” This study could not assess the validity of this claim and there are obvious problems associated with giving beneficiaries this information, but it was clear that cash actors need to improve the ways in which they communicate vulnerability targeting where possible. This will improve programming overall and also the ability to assess perceptions around the impact of cash assistance on the local markets.

4. **Scale-up context-sensitive asset recovery, business reconstruction, and financial training programmes.** Many of the businesses surveyed are family run, and lack formal training. Funding for market recovery programming at scale would enable small business revitalisation and growth in the worst conflict-affected areas.

5. **Increase funding available for cash transfer programmes in the most heavily conflict-affected areas.** Although it is recognised that the CCI and cash actors have limited resources to provide cash assistance, cash is a factor contributing to the revitalisation of market economies and therein the abilities of returnees to stabilise. Cash programming should of course come hand in hand with other programmes aimed toward long term recovery, namely support for rebuilding homes and services. Not all needs are best responded to through MPCA; however, cash is a very strong and important means through which to support economies and communities characterised by strong social ties and where many believe that everyone around deserves assistance, considering how all went through the same terrible trauma.