

Iraq

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# Study on Impact of Debt on Internally Displaced Person (IDP), Refugee and Host Community Households

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#### About IMPACT

IMPACT Initiatives is a leading Geneva-based think-and-do tank that shapes humanitarian practices, influences policies and impacts the lives of humanitarian aid beneficiaries through information, partnerships and capacity building programmes. IMPACT's teams are present in over 20 countries across the Middle East, Latin America, Africa, Europe and Asia, and work in contexts ranging from conflict and disasters to regions affected by displacement and migration. The work of IMPACT is carried out through its three initiatives: REACH, AGORA and PANDA.

# Summary

## Context

Protracted instability and displacement have become prominent features of the Iraq landscape due to ongoing domestic and regional conflict. As a result, Iraq, particularly the Kurdistan region (KR-I), has become host to a significant population of internally displaced persons (IDPs) and refugees. As of October 2019, an estimated 1,414,632 Iraqis<sup>1</sup> remained displaced across the country, and the KR-I specifically was estimated to be home to 245,810<sup>2</sup> Syrian and 41,139 non-Syrian<sup>3</sup> refugees. Alongside these displaced populations live a large number of host community members who engage socially and economically with both IDPs and refugee populations.

Government organisations, international non-governmental organisations (NGOs) and UN agencies have long been providing support to these populations of concern (POCs). Findings from previous research conducted by IMPACT - Initiatives (IMPACT) and other actors show that high levels of debt are a significant burden for displaced households.<sup>4</sup> Although levels of debt are reported to vary across population groups and geographic locations, high levels of debt are a consistently reported feature. Building on this research, IMPACT identified a potential information gap concerning the impact of debt on household vulnerability in Iraq, particularly amongst IDP, refugee, and host community households.

## Assessment Overview

In line with UNHCR's strategic objectives towards durable solutions for conflict-affected populations, IMPACT sought to conduct a study to better understand how debt and borrowing affects the socio-economic security and overall household vulnerability of IDPs, refugees, and host communities in Iraq. Building on quantitative data from previous IMPACT assessments and other research conducted on the topic, this assessment aims to understand why households frequently cite taking out loans or borrowing money as a primary coping mechanism. It also considers how relying on debt could impact household socio-economic vulnerability. Further, the research aims to understand the interlinkages of debt and multi-purpose cash assistance (MPCA) and to understand differences in reliance on and impact of debt between different populations and across selected locations in different geographical regions of the country. This information could inform UNHCR's distribution targeting modalities for assistance.

A qualitative methodology was employed to engage out-of-camp IDP, out-of-camp refugee and host community households across Iraq. A total of 8 sex-segregated Focus Group Discussions (FGDs) were conducted with household representatives in northern Iraq between 10 and 18 December 2019, and 60 Individual Interviews (IIs) were conducted with household representatives in the central and southern governorates between 17 and 19 December 2019. This primary data collection was supplemented with a literature review of research conducted by non-governmental and international organisations on the topics of debt, savings and borrowing in Iraq and other countries hosting Syrian refugees in the Middle East. An additional exploratory analysis of IMPACT data relating to prevalence of debt, the use of debt as a coping mechanism, and lending patterns was conducted to provide additional context and overview for the assessment. Sampling for the primary data collection was conducted using the snowball methodology, and results should be considered indicative and not statistically significant.

<sup>1</sup> IOM, [IOM Displacement Tracking Matrix \(DTM\), Iraq Mission](#). Figures as of 31 December 2019. Accessed 26 January 2020.

<sup>2</sup> UNHCR, [UNHCR Refugee Response Portal](#). Figures as of 31 December 2019. Accessed 26 January 2020.

<sup>3</sup> UNHCR, [Iraq Fact Sheet](#). Figures as of December 2019. Accessed 26 January 2020.

<sup>4</sup> In 2018, 79% of out-of-camp refugee households reported being in debt. In 2019, 72% of out-of-camp IDP households and 42% of host community households reported being in debt. Sources: IMPACT Initiatives, [Multi-Sectoral Needs Assessment 2018 \(MSNA 2018\)](#), p. 3. Figures as of August 2018. Accessed 7 November 2019. REACH Initiative, [Multi-Cluster Needs Assessment 2019 Dataset \(MCNA 2019\)](#). Figures as of August 2019. Accessed 7 November 2019.

## Key Findings

The key findings are based on information collected from the 39 FGD participants and 60 IIs participants which represent the primary research for this assessment. They have been divided into four main categories:

### 1. The status of debt in Iraq

- Approximately **one third of all FGD participants reported taking on debt regularly** or at least monthly, while **almost half of all II participants reported having taken on debt three times or more**. This suggests that the frequency of taking on debt varied depending on the individual household's situation and needs.
- FGD and II participants most frequently reported basic needs such as rent, food or utilities as the reasons for taking on debt.
- Immediate family, extended family such as uncles, aunts or cousins and friends and neighbours were most frequently reported as the sources for taking on debt. Another frequently reported source of debt was shop owners.
- Lack of regular income was the most frequently reported challenge households faced when trying to repay debt, as reported by most of the participants of the FGDs and IIs.

### 2. Impact of debt on household vulnerability

- Taking on debt was only one of the coping strategies reported to be used regularly by participants. Slightly more than half participants reported reducing essential non-food or basic needs expenditures, roughly a third reported limiting portions at mealtimes, and one out of ten households reported sending children to work.
- Of all 99 households assessed, **only 15 reported to consider taking on debt as their primary coping mechanism**.
- Of the IDP and refugee participants who were interviewed, **more than half of all participants reported having more debt after having been displaced**.
- **About one third of all displaced participants reported that being in debt affected their decision to return or stay in their current location.**

### 3. Debt and multi-purpose cash assistance (MPCA)

- Of the 27 assessment participants who reported receiving MPCA, **slightly more than half reported that the assistance had an impact on their household debt** by allowing them to repay some of their outstanding debt. **Roughly less than half reported that the assistance was not enough to repay debt.**

### 4. Differences of debt across population groups, gender, and location of residence

- **Only host community members reported borrowing from formal institutions** (three residing in Maysan and two in Duhok).
- **More host community participants reported taking on debt for investments**, such as into productive assets (eight host community participants, compared to two IDP and three refugee participants), or shelter maintenance and building a house (16 host community households compared to 4 IDP and no refugee participants reporting this).
- During the FGDs, **35 participants** (of which 20 were male and 15 were female) **reported it was easier for women to borrow, while 13** (4 male and 9 female) **reported it was easier for men**. II participants in the **central and southern governorates more frequently reported that it was easier for men to borrow** (57 of 60 participants). Only three female participants reported it was easier for women in the central and southern governorates.

- FGD and II participants across the three regions of Iraq reported only minor observable differences the perception of being in debt and its effect on household vulnerability, suggesting that the perceived impact of being in debt might not vary based on the location of residence.

## Conclusions

This assessment provided several important insights into the causes and impact of debt amongst out-of-camp IDP, out-of-camp-refugee, and host community households across Iraq. Findings from the FGDs and IIs supported data from secondary data review (SDR) across a number of variables. For example, both areas of research indicated that household employment did not always prevent a household from having to take debt to cover daily or emergency expenses such as rent, food or healthcare costs. Similarly, data from all aspects of the assessment confirmed that the primary sources of borrowing amongst households were friends and family members, and thus fell outside of formal lending institutions and often based on trust and verbal agreements. Additionally, data confirmed findings and trends from other assessments that suggest lack of regular income also prevented households from repaying debt. While debt as a coping mechanism was wide-spread, participants reported this having a high negative impact on the household's well-being and a preference to use other coping mechanisms such as reducing basic expenditures. MPCA allowed roughly half of the participants to repay some of their debt but was reported to be insufficient by the other half. Finally, differences between geographical locations, population groups and gender were minor. Mostly, host community households more frequently reported using debt to cover investments, while displaced households (IDP and refugee) reported using it to cover basic household expenditures such as rent and food.

Findings from the primary research were mostly in line with findings from the secondary data research. Contradictions may present opportunities for further exploration in order to contribute to strengthening the understanding of debt across the populations of concern in Iraq.

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### Geographic Classifications

<b>KR-I</b>	Kurdistan Region of Iraq, a devolved federal entity in the north of Iraq
<b>Governorate</b>	The highest administrative boundary below the national level.
<b>District</b>	Governorates are divided into districts

## Abbreviations and Acronyms

CCI	Cash Consortium Iraq
CRI	Core Relief Item
DRC	Danish Refugee Council
FGD	Focus Group Discussion
IDP	Internally displaced person
II	Individual interview
INGO	International non-governmental organisation
IQD	Iraqi Dinar
KR-I	Kurdistan Region of Iraq
LCC	Lebanon Cash Consortium
MPCA	Multi-Purpose Cash Assistance
PDM	Post-Distribution Monitoring
SDR	Secondary Data Review
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollar



# 1. Introduction

Due to ongoing domestic and regional conflict in Iraq since 2011, protracted instability and displacement have been prominent features of the Iraqi landscape. While returns to areas of origin have steadily increased over the course of 2019, the number of internally displaced persons (IDPs) remains high, with 1,414,632 Iraqis remaining displaced across the country as of 31 December 2019.<sup>5</sup> Additionally, the Kurdistan Region of Iraq (KR-I) has been hosting Syrian and non-Syrian refugees for a protracted period of time, with 245,810 Syrian<sup>6</sup> and 41,139 non-Syrian refugees<sup>7</sup> residing in the KR-I as of mid-2019. These two population groups live either in camps or host communities, and partake actively in Iraq's social and economic life, often closely interacting with members of the host communities.

Findings from previous research conducted by IMPACT Initiatives and other actors show that high levels of debt have long been a feature of displaced households' profiles. For instance, in 2018, 79% of out-of-camp refugee households in the KR-I assessed in the 2018 Multi-Sector Needs Assessment (MSNA 2018) reported being in debt.<sup>8</sup> Similarly, 73% of IDP households assessed in the 2018 nationwide Multi-Cluster Needs Assessment (MCNA 2018) reported being in debt.<sup>9</sup> In the 2019 round of MCNA, this figure rose to 80% for in-camp IDP households and remained stable at 72% for out-of-camp IDP households reporting being in debt.<sup>10</sup> These findings suggest that debt plays a considerable role in displaced persons' lives. Similar to IDP households, 71% of non-displaced households reported being in debt in the MCNA 2018.<sup>11</sup> In the 2019 round of the MCNA, roughly four out of ten host community households<sup>12</sup> reported being in debt (42%).<sup>13</sup> However, proportions of households having more than 505,000 IQD (420 USD) were smaller in southern districts (for instance Al-Basra at 7% and Al-Najaf at 1%), than in districts in the north (42% of host community households in Erbil, 64% in Sumail in Duhok governorate and 51% in Mosul reported having at least 505,000 IQD of debt). This suggests that in addition to differences observed across population groups, levels of debt also vary between geographical locations or residence.

Building on past findings from assessments conducted for UNHCR as outlined above and as highlighted in other IMPACT reports, IMPACT has identified a potential information gap concerning the impact of debt on household vulnerability in Iraq. In line with this, and UNHCR's strategic objectives towards durable solutions for conflict-affected populations, and especially those in protracted displacement, IMPACT conducted an in-depth qualitative assessment to better understand how debt and borrowing affects the economic security and overall household vulnerability of IDPs, refugees and host communities in Iraq.

Specifically, the assessment aimed to understand why households frequently cite taking out loans or borrowing money as a primary coping strategy. This assessment further provided insight into how relying on debt could impact household vulnerability, to potentially inform UNHCR's distribution targeting modalities. Lastly, the assessment sought to highlight potential differences and commonalities in reliance on and the impact of debt among the three different population groups (IDP, refugee and host community households) and across selected locations of the different geographical zones (northern, central and southern governorates) of Iraq.

This report first outlines the methodology of this assessment, to provide details on primary data collection as well as on the analysis of secondary data sources. The findings section presents trends found in secondary literature, such as reports and studies conducted by other organisations in Iraq and the broader Middle East region and explores the quantitative analysis of indicators from previous IMPACT-led assessments, to provide context for the primary data. The second part presents findings from the data collected specifically for this assessment between 10 and 18 December by the means of Focus Group Discussions (FGDs) conducted in the KR-I and Individual Interviews (IIs) conducted by phone for the population of interest in the central and southern governorates of Iraq.

<sup>5</sup> IOM, [IOM Displacement Tracking Matrix \(DTM\), Iraq Mission](#). Figures as of 31 December 2019. Accessed 26 January 2020.

<sup>6</sup> UNHCR, [UNHCR Refugee Response Portal](#). Figures as of 31 December 2019. Accessed 26 January 2020.

<sup>7</sup> UNHCR, [Iraq Fact Sheet](#). Figures as of December 2019. Accessed 26 January 2020.

<sup>8</sup> IMPACT Initiatives, [Multi-Sectoral Needs Assessment 2018 \(MSNA 2018\)](#), p. 3. Figures as of August 2018. Accessed 7 November 2019.

<sup>9</sup> REACH Initiative, [Multi-Cluster Needs Assessment 2018 Dataset \(MCNA 2018\)](#). Figures as of August 2018. Accessed 7 November 2019.

<sup>10</sup> REACH Initiative, [Multi-Cluster Needs Assessment 2019 Dataset \(MCNA 2019\)](#). Figures as of August 2019. Accessed 7 November 2019.

<sup>11</sup> REACH Initiative, [Multi-Cluster Needs Assessment 2018 Dataset \(MCNA 2018\)](#). Figures as of August 2018. Accessed 7 November 2019.

<sup>12</sup> These host community households were assessed in nine districts: Al-Basra, Al-Najaf, Adhamiya, Sumail, Erbil, Al-Kahla, Mosul, Shirqat and Nasiriya

<sup>13</sup> REACH Initiative, [Multi-Cluster Needs Assessment 2019 Dataset \(MCNA 2019\)](#). Figures as of August 2019. Accessed 7 November 2019.

## 2. Methodology

The scope of this assessment included out-of-camp IDP, out-of-camp refugee and host community households, sampled through snowballing, across selected locations in the northern, central, and southern regions of Iraq. A qualitative methodology was employed, consisting of a total of 8 sex-segregated FGDs across northern Iraq and 60 IIs conducted by phone to cover locations of the central and southern governorates, supplemented by a secondary data review (SDR). The questionnaire was developed by IMPACT based on available research on the topic of debt in Iraq, both by IMPACT and other non-governmental organisations (NGOs) and international organisations (such as United Nations agencies).

The sampling strategy was designed to achieve a broad geographical and population-wide scope, with findings of the primary data collection being indicative for the sampled population. For the quantitative secondary data, findings were representative for population groups at the national level with a 95% confidence level and with a margin of error of 5%, unless otherwise stated in the relevant section<sup>14</sup>.

A semi-structured questionnaire was used to capture information provided in FGDs and IIs, with two debrief forms tailored for each type of data collection to properly record the detailed data. These details were then recorded in two matrices, one for FGDs and one for IIs, to facilitate data analysis.

### 2.1 Objective

The research objective of this study was to better understand how debt and borrowing affects socio-economic security and overall household vulnerability for IDP, refugee and host community households in the KR-I and IDP and host community households in federal Iraq.<sup>15</sup> To achieve this, the following research questions guided the analysis:

1. What is the current status of borrowing and lending among the population of interest in Iraq?
2. What is the perceived impact of debt on a household's overall socio-economic vulnerability?
3. In what ways does receiving multi-purpose cash assistance (MPCA) impact the level of debt of a household?
4. To what extent do reliance on and impact of debt vary between different population groups (IDPs, refugees and host communities) and across selected locations in different geographical regions of the country (North, Centre and South)<sup>16</sup>?

### 2.2 Area of Study

This assessment covered three population groups: Iraqi IDPs, refugees residing in out-of-camp settings, and host community households in selected locations across Iraq, all of which reported currently holding debt. For the purpose of this assessment, the country is divided into three geographical zones (North, Centre and South). North included the three KR-I governorates (Duhok, Erbil and Al-Sulaymaniyah) and Ninewa. Centre included Al-Anbar, Kirkuk, Salah Al-Din, Diyala, Baghdad, Kerbala, Babil and Wassit. South included Al Al-Najaf, Maysan, Qaddisiya, Thi Qar, Al-Muthanna and Al-Basra. This distribution represents a common geographical distinction for Iraq. Refugees reside mostly in the North, while IDPs are also residing in central and southern governorates.

<sup>14</sup> See page 14.

<sup>15</sup> In 2018, 79% of out-of-camp refugee households reported being in debt. In 2019, 72% of out-of-camp IDP households and 42% of host community households reported being in debt. Sources: IMPACT Initiatives, [Multi-Sectoral Needs Assessment 2018 \(MSNA 2018\)](#), p. 3. Figures as of August 2018. Accessed 7 November 2019. REACH Initiative, [Multi-Cluster Needs Assessment 2019 Dataset \(MCNA 2019\)](#). Figures as of August 2019. Accessed 7 November 2019.

<sup>16</sup> The selected locations for the North were Erbil, Duhok, and Mosul, Kirkuk and Baghdad for the Centre, and Maysan, Al-Qadissiya, Al-Basra and Al-Najaf for the South.

## 2.3 Data collection strategy

Primary data analysis was complemented with secondary data, to give a more in-depth understanding of the structure of the debt network and the impact debt has on households' vulnerabilities. Primary data consisted of FGDs and IIs and were conducted by IMPACT in December 2019. Secondary data consisted of other reports on the topic conducted by other organisations and previously collected data for other IMPACT assessments throughout 2017 to 2019.

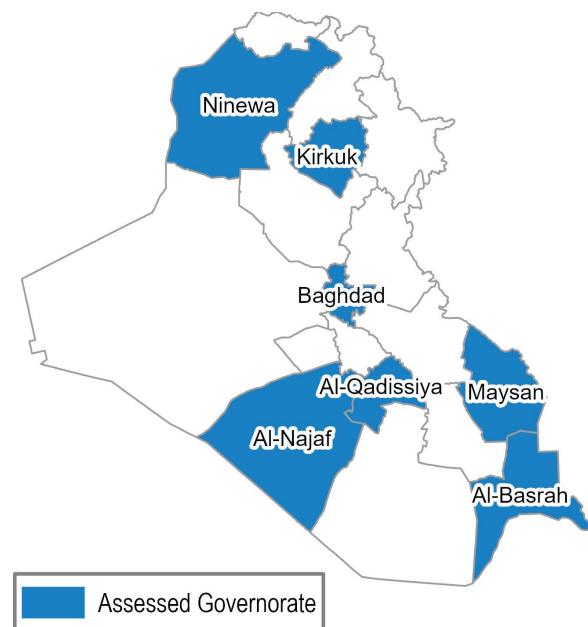
### Primary data collection

Sampling was done through snowballing to cover three population groups and three geographic zones, attempting an even and broad spread of participants. Locations were selected according to the density of the targeted population groups (refugee, IDP and host community in the north, and IDP and host community in the centre and south), and according to the presence of an IMPACT network of initial contacts to interview. Thus, Erbil, Duhok and Mosul were chosen from the northern geographical region, Kirkuk and Baghdad from the centre and Al-Najaf, Maysan, Al-Qadissiya and Al-Basra from the south.

Map 2: Coverage of FGDs, by assessed governorates



Map 1: Coverage of IIs, by assessed governorates



The unit of assessment was the household and all questions pertained to the respondent and their household. While IDP and refugee households more frequently reported being in debt in previous assessments than host community households, including the latter population group helped to give a more complete picture of the debt landscape in Iraq. This is especially true where host community households might partake in the same system of borrowing and lending as the other assessed population groups.

This assessment employed a qualitative methodology, comprised of 8 FGDs and 60 IIs (see Map 1 and 2).<sup>17</sup> FGDs were held in governorates in the northern region of Iraq, where the security and access situation permitted to do

<sup>17</sup> Two additional FGDs held in Duhok were excluded from the main analysis, as they were held with in-camp refugee households and were thus outside the scope of this report. Where interesting findings could be generated from these two FGDs, they are clearly marked as in-camp findings.

so.<sup>18</sup> IIs were conducted by phone for the central and southern governorates and for Mosul in the north, as the security and access situation did not permit IMPACT to conduct FGDs in these areas at the time of data collection.

### Focus Group Discussions

Participants for the FGDs were purposively sampled (through snowballing) from the three target population groups and different locations in the north of the country (KR-I), to reach a broad geographical distribution. The target populations consisted of IDP, refugee and host community households, with the criteria of all included households being in debt at the time of data collection. The locations for FGDs were chosen according to population distribution (for all three groups of interest) and the presence of initial contacts to start snowballing from (see Map 1). Participants were selected from existing IMPACT networks of field coordinators and enumerators' contacts and then continuously added to by snowballing. The following four criteria were applied to identify suitable participants for the FGDs:

- 1) the person's household being in debt
- 2) belonging to one of the three target population groups
- 3) gender
- 4) residence of the person's household being one of the selected locations.

To avoid assessment fatigue, IMPACT as much as possible excluded previously assessed households from other IMPACT-led surveys. This was done by means of a phone call preceding the FGDs, when enumerators invited participants to join the assessment. During this call, prospective participants were asked if anyone of their household had been interviewed for any IMPACT assessment in the period of 90 days before the call, if the household has taken on debt, and if an adult representative of the household was available to participate in the discussion.

For each location, an even number of male and female FGDs were conducted (see Table 1), as perceptions and practices were assumed to vary considerably between men and women, and separation was necessary to promote participation and input. Heads of household were encouraged to be included in the FGD. In case of their absence, an adult household member (age 18 years or over) with knowledge on the household's economic situation could participate in the FGD instead. This strategy aimed to mitigate against a lower proportion of female-headed households, by including a female household member's perspective in the data. Each FGD included three to six participants to avoid over-crowding and ensure that each member had the opportunity to share their experiences. Ultimately, 8 FGDs with a total of 39 participants (19 female and 20 male) were conducted in Erbil and Duhok.<sup>19</sup>

Table 1: FGD Sampling table<sup>20</sup>

Target population	Gender of FGD	Selected locations in North
IDPs	Female	1
	Male	1
Refugees	Female	2
	Male	2
Host community	Female	1
	Male	1
<b>Total</b>		<b>8</b>

<sup>18</sup> Mosul was not accessible due to authorization limitations. FGDs were replaced by individual interviews conducted by phone from IMPACT's Baghdad-based call centre.

<sup>19</sup> Eleven participants (six male and five female) of two additional FGDs held in Duhok were excluded from the main analysis, as they were held with in-camp refugee households and were thus outside the scope of this report.

<sup>20</sup> North including the three KR-I governorates (Duhok, Erbil and Al-Sulaymaniyah) and Ninewa. Due to the security and access situation at the time of data collection not permitting conducting FGDs in Ninewa, FGDs could only be held in Erbil and Duhok. The four planned FGDs in Mosul were replaced by IIs held by phone from the Baghdad-based call centre (for methodology, see next section on IIs).

## Individual Interviews

As the security and access situation at time of data collection did not allow for travel to Mosul and the central and southern governorates of Iraq, FGDs in these areas were replaced with IIs conducted from IMPACT's Baghdad-based call centre. Six interviews (three with male and three with female individuals) were conducted in each location (one location in the north, four locations in the south and four in the centre), leading to a total of 60 IIs. This number of interviews mirrored the minimum number of FGD participants, to ensure an equal level of data saturation in the centre and the south as in the north. The locations for the IIs were chosen according to population distribution (for both groups of interest in these regions, i.e. IDPs and host communities) and the presence of initial contacts to start snowballing from. Participants were selected from existing IMPACT networks of field coordinators and enumerators' contacts and were continuously added to by snowballing. The following four criteria were applied to identify suitable participants for the IIs:

- 1) the person's household being in debt
- 2) belonging to one of the two target population groups (IDP or host community)
- 3) gender
- 4) residence of the person's household being one of the selected locations.

An even number of male and female IIs were conducted (see Table 2), as perceptions and practices were likely to vary considerably between men and women. While interviewing the head of household was encouraged, in case of absence of this person, an adult household member with knowledge on the household's economic situation was interviewed instead.

Table 2: II Sampling table<sup>21</sup>

Target population	Gender of IIs	Selected locations in North <sup>22</sup>	Selected locations in Centre	Selected locations in South	Total number of IIs
IDPs	Female	3	6	6	15
	Male	3	6	6	15
Refugees	Female	N/A	N/A	N/A	N/A
	Male	N/A	N/A	N/A	N/A
Host community	Female	3	6	6	15
	Male	3	6	6	15
<b>Total</b>		<b>12</b>	<b>24</b>	<b>24</b>	<b>60</b>

## Secondary data collection

Reports for the SDR were researched through a mix of online research and reaching out to UNHCR, livelihoods cluster leads and persons with known expertise on the subject of debt. After consultations, four resources were identified as suitable and used to both inform the research design and the context of this assessment. Concretely, the following reports have been included:

- Danish Refugee Council (DRC) for the Cash Consortium for Iraq (CCI), "Household debt in Iraq: Borrowing in a time of crisis", October 2019.<sup>23</sup>

<sup>21</sup> Centre includes Kirkuk, Al-Anbar, Salah Al-Din, Diyala, Baghdad, Kerbala, Babil and Wassit. South includes Al Al-Najaf, Maysan, Qaddisiya, Thi Qar, Al-Muthanna and Al-Basra. Selected locations for IIs were Baghdad, Kirkuk, Al-Basra, Al-Najaf, Al-Qadisiya and Maysan.

<sup>22</sup> Mosul, as access did not allow FGDs to be conducted in this location at the time of data collection.

<sup>23</sup> Available [online](#). Published 23 October 2019, accessed 7 November 2019.



- Proximity International for the Cash Consortium for Iraq (CCI), “The Impact of Cash Transfers on Local Markets in Iraq: Lessons from Baiji and Rawa”, October 2019.<sup>24</sup>
- Oxfam, in partnership with UNDP, “Saving Behaviours and Financial Services in Northern Iraq”, December 2018 (unpublished).<sup>25</sup>
- Lebanon Cash Consortium (LCC), “Where’s The Debt? Analysis of The Hidden Debt Network Sustaining Syrian Refugee Households in Lebanon”, September 2015.<sup>26</sup>

## 2.4 Analysis

Primary data analysis was complemented with secondary data, to give a more in-depth understanding of the structure of the debt network and the impact debt has on households’ vulnerabilities. Both quantitative and qualitative analysis methods were used to analyse primary and secondary data.

### Primary data analysis

FGDs were conducted in Arabic or Kurdish by one or two enumerators, one acting as facilitator and – if available – another as scribe and translator. The IMPACT Assessment Officer (AO) sat in on the FGDs and took notes based on real-time translation. Following the FGD, the IMPACT AO carried out a full debrief with the enumerators to supplement notes taken by themselves and the scribe, using a debriefing form designed to reflect the questionnaire and to garner contextual information concerning the group discussion and attitudes of participants. Data from the debriefs and notes taken during FGDs was compiled into a data analysis matrix, from which key findings were drawn, and relevant demographic comparisons of gender and geographic location could be made.

Similarly, the IIs were conducted by phone through Arabic-speaking enumerators based in IMPACT’s Baghdad call centre, with the enumerator taking extensive notes during the call. Following each batch of IIs, the IMPACT Database Officer carried out a full debrief with the enumerator, using a debriefing form designed to reflect the questionnaire. This data was compiled into a data analysis matrix similar to the FGD Matrix.

Analysis was conducted in accordance with the data analysis framework produced during the research design phase, which outlined relevant tool questions linked to the core research questions outlined in this methodology section. All analysis was reviewed by the IMPACT HQ Data Unit before output production.

### Secondary data analysis

Secondary data analysis informed the research design and constituted a substantial component of this assessment. Available research on the prevalence of debt and differences between geographical locations, population groups and gender of debt holders was compiled and analysed to gain a deeper understanding of how debt networks were structured and how debt affected household vulnerability in Iraq. This secondary analysis consists of two parts: a literature review and an exploratory analysis.

#### Literature review

The first part of the background research consists of an SDR of available reports and studies on the subject. The included sources are research pieces conducted by non-governmental and international organisations on the topics of debt, saving and borrowing in Iraq and other countries of the Middle East hosting Syrian refugees.

#### Exploratory Analysis

The second part of the background research consisted of an exploratory analysis of available data from previous IMPACT assessments using quantitative methods, to uncover trends and possible research gaps. Findings of this exploratory analysis provide an overview and context for the qualitative primary data collected for this assessment.

<sup>24</sup> Available [online](#). Published 24 October 2019, accessed 7 November 2019.

<sup>25</sup> Unpublished. Finalised in December 2018, accessed 7 November 2019.

<sup>26</sup> Available [online](#). Published 30 September 2015, accessed 7 November 2019.

The following data has been included in this background section:

- IMPACT Post-Distribution Monitoring (PDM) assessment data collected in 2017 and 2018 on behalf of UNHCR, to assess the use and impact of their cash assistance to Iraqi IDP and Syrian refugee households.<sup>27</sup>

In 2017, cash assistance was provided by UNHCR on a monthly basis and in 2018 it was provided in five batches<sup>28</sup> per population group (refugee and IDPs). In total, IMPACT assessed 17,635 beneficiary households, of which 2,819 refugee beneficiary households and 7,046 IDP beneficiary households were interviewed in 2017, and 1,094 refugee beneficiary households and 6,676 IDP beneficiary households were interviewed in 2018. As UNHCR assistance targets particularly vulnerable households in Iraq, this data needs to be understood as not representative of average Iraqi households and should not be directly compared to the following data source.

- Multi-Cluster Needs Assessment (MCNA) data, conducted in 2018 and 2019 by the Assessment Working Group (AWG) and REACH Initiative, in close collaboration with OCHA and the Inter-Cluster Coordination Group (ICCG), to understand multi-sectoral priority needs of conflict-affected populations living across the whole of Iraq.<sup>29</sup>

In 2018, a total of 12,471 households in four population groups (IDPs in-camp, IDPs out-of-camp, returnee and non-displaced people) were assessed in 78 districts. Findings are statistically representative at the national level with a 90% confidence level and 10% margin of error for each of the assessed population groups. In areas where multiple conflict-affected population groups were present, the precision of stratification-level findings increased accordingly. At the national level, findings are statistically representative at a higher level.

In 2019, a total of 13,086 households of four population groups (IDPs in-camp, IDPs out-of-camp, returnee and host communities) were assessed in 63 districts. Findings are statistically representative at the national level with a 90% confidence level and 10% margin of error for each of the assessed population groups. In areas where multiple conflict-affected population groups were present, the precision of stratification-level findings increased accordingly. At the national level, findings are statistically representative at a higher level.

- Multi-Sectoral Needs Assessment (MSNA) data, conducted in 2018 by IMPACT on behalf of UNHCR, to guide and plan for the humanitarian and resilience needs of Syrian, Turkish and Iranian refugees in the KR-I.<sup>30</sup>

A total of 1,371 Iranian, Syrian and Turkish out-of-camp refugee households were interviewed in the three KR-I governorates (Duhok, Erbil and Al-Sulaymaniyah) to provide a comprehensive understanding of multi-sectoral needs of out-of-camp refugees in the KR-I. Findings are representative at a 95% confidence level and 7% margin of error at the refugee group and at the governorate levels, and 95% confidence level and 5% margin of error at the KR-I level. The population of interest for this assessment was extracted from UNHCR's ProGres database of all registered refugee households. The refugee households in the population of interest fulfilled two conditions: they had registered with UNHCR and had been in contact with them in the 12 months preceding the interview. Thus, this assessment excluded unregistered refugee households in the KR-I and those households that had not been in communication with UNHCR within the previous year.

The data from these assessments was used to conduct an exploratory analysis prior to primary data collection. This was done using SPSS, by running descriptive statistics for selected independent and dependent variables, depending on the relevant indicators' availability and compatibility in the datasets of the assessments (see Table 3).

<sup>27</sup> IMPACT Initiatives, Post-Distribution Monitoring of UNHCR Cash Assistance from 2017 to 2018, compiled in February 2019 (unpublished). Accessed 7 November 2019.

<sup>28</sup> Each batch targeted a new group of beneficiary households.

<sup>29</sup> REACH Initiative, [Multi-Cluster Needs Assessment 2018 Dataset \(MCNA 2018\)](#). Figures as of August 2018. Accessed 7 November 2019 & REACH Initiative, [Multi-Cluster Needs Assessment 2019 Dataset \(MCNA 2019\)](#). Figures as of August 2019. Accessed 7 November 2019.

<sup>30</sup> IMPACT Initiatives, [Multi-Sectoral Needs Assessment 2018 \(MSNA 2018\)](#). Figures as of August 2018. Accessed 7 November 2019.

Table 3: List of independent and dependent variables used in secondary data analysis

Independent variables	Dependent variables
Population group (IDP, refugee, host community)	Proportion of households in debt
Governorate of residence	Average amount of debt
In- and out-of-camp residence	Use of taking on debt as a coping mechanism
Gender of head of household	Use of taking on debt to make up for income to buy food
Households with and without at least one member who is employed	Most frequently reported reasons for households taking on debt

## 2.5 Challenges and Limitations

- During data collection, security and access restrictions did not allow for FGDs to be conducted as originally intended. The replacement IIs that were conducted by phone call from the Baghdad-based call centre, while capturing a wealth of data, could not provide the same level of detail and depth as the FGDs conducted in Erbil and Duhok.
- Due to the limitations of purposive sampling through snowballing, included households carry the inherent bias of not being randomly sampled and thus findings not being representative of Iraqi IDP, Syrian refugee and Iraqi host community households at large. Thus, findings need to be treated as indicative only of the debt network and the impact that being in debt has for the assessed households.
- Furthermore, self-reported findings from the FGDs and IIs are subject to a degree of bias. Respondents may have given answers that they believed were socially acceptable rather than sharing their true opinions and experiences. It is also possible that respondents misreported or did not report all relevant information, as retrospective self-reported data is subject to the limitations of recall bias.
- Similarly, although FGD findings were presented as numbers of FGD participants reporting, certain topics may be underreported or overreported due to the subjectivity and perceptions of respondents and group dynamics (in particular, “social desirability bias” – the tendency of people to provide what they perceive to be the “right” answers to certain questions). As a consequence, a high frequency of mentions of (or “high number of FGD participants reporting on”) a topic might indicate that it is considered socially acceptable to discuss it, more than the prevalence of an issue.



## 3. Findings

This chapter presents the findings of the secondary data that was analysed as well as the findings of the primary data collected for the scope of this assessment.

### 3.1 Secondary Data and Research Findings

This section explores previous research conducted on the subject of debt in Iraq and the wider Middle East and presents findings on trends and figures found in an exploratory analysis of debt and socio-economic indicators collected in IMPACT and REACH assessments in Iraq from 2017 to 2019. This information aims to contextualise findings from the FGDs and IIs conducted for this assessment, as presented in the next sub-chapter.

#### 3.1.1 Literature Review

The DRC, on behalf of the CCI, conducted a study on the scale, terms, sources, uses, and social impact of taking on debt for conflict-affected households residing in Mosul and Telafar district in northern Ninewa.<sup>31</sup> The study found that being in debt is widespread among households in Iraq and that most households access debt largely through informal networks (such as family, friends or familiar local business owners). The study further found that repaying debt was difficult for all households, but especially for female-headed households from rural areas, suggesting difficulties in accessing income to repay debt for women and for more remote areas. The study further assessed the motivations of lenders offering their resources as loans to other people and found that pre-existing trust and a sense of obligation were commonly cited reasons. While penalties for not repaying debt were not wide-spread, the potential of losing a needed source of money and the subsequent inability to move out of debt remain issues that have a psychological influence on indebted households. The study yielded interesting inputs for this research, which could be applicable beyond the geographical focus of Mosul and Telafar districts.

Another study conducted by Proximity International on behalf of CCI assessed the impact of MPCA on local markets in Baiji (Salah Al-Din governorate) and Rawa (Al-Anbar governorate).<sup>32</sup> Researchers found that households and local businesses in these locations often took on debt to rebuild their houses, businesses and to meet their needs. They further found that businesses that function as lenders to households often purchase their goods on credit from wholesalers. This suggests that the debt network functions more like a debt chain with households borrowing from local businesses, who in turn borrow from larger businesses. The study also found that these debt networks were already in place before ISIS appeared in Iraq in 2014 and subsequent displacement. However, due to loss of stocks and assets during the conflict and the cost of displacement, debt has increased in both prevalence and amount.<sup>33</sup> Similar to the DRC study, the reported motivations for households repeatedly borrowing money were sense of duty and, quoting the same, the difficult situation everyone in the community was in.<sup>34</sup> Trust was reported as a necessary precondition to borrow, even when repayment of the outstanding debt could not be guaranteed.

A third study conducted by Oxfam, in partnership with United Nations Development Programme (UNDP), on the topic of saving and borrowing behaviour of IDP, refugee, host community and returnee households in the north of the country sheds light on reasons why households borrow, as well as why they do not borrow.<sup>35</sup> The study highlighted that borrowing from formal institutions was not common in Iraq due to a number of different factors. Prominent among them were religious reasons such as taking interest being forbidden in Islam. Other factors were a lack of knowledge of lending institutions, an absence of financial guarantees to offer to institutions, and the complexity and difficulty of accessing formal institutions.<sup>36</sup> To better understand how these factors varied across

<sup>31</sup> Danish Refugee Council (DRC) for the Cash Consortium for Iraq (CCI), "Household debt in Iraq: Borrowing in a time of crisis", October 2019.

<sup>32</sup> Proximity International for the Cash Consortium for Iraq (CCI), "The Impact of Cash Transfers on Local Markets in Iraq: Lessons from Baiji and Rawa", October 2019.

<sup>33</sup> Ibid., page 33.

<sup>34</sup> Ibid., page 45.

<sup>35</sup> Oxfam, in partnership with UNDP, "Saving Behaviours and Financial Services in Northern Iraq", December 2018 (unpublished).

<sup>36</sup> Ibid., page 42.

population groups, the question regarding the use of formal institutions was included in the FGDs conducted for this study.

A fourth study was conducted in 2015 by the LCC on the topic of hidden debt networks among Syrian refugee households in Lebanon.<sup>37</sup> This study informed the previously mentioned research by DRC, was a source of motivation for this assessment, and provided comparative context for the Syrian refugee caseload. Similar to the Iraqi context, the Lebanese case study shows that borrowing relies on a high level of trust between the lender and the borrower, and that the majority of Syrian refugee households borrow from friends, relatives and store owners, many of who are Lebanese nationals.<sup>38</sup> This report further highlighted the wide-spread use of credit to purchase food in Lebanon, but also refers to the practice being used across borders in the region.<sup>39</sup> Another finding presents gender-specific differences regarding amount of debt and number of loans being taken by men and women, with women taking on less total debt and less frequently.<sup>40</sup> This finding informed one of the objectives of this study, which was to assess gender-specific experiences in taking on debt.

### 3.1.2 Exploratory Analysis

In line with findings of other reports and studies on the subject, previous IMPACT and REACH assessments have found that being in debt was a wide-spread characteristic of households in Iraq. To inform this research study, datasets of previous assessments have been analysed using descriptive statistics to uncover trends and possible gaps in knowledge. The following section outlines the findings on proportion of households being in debt, average amount of debt, the use of taking on debt or loans as a coping mechanism, the most frequently reported reasons why households took on debt, and the most frequent lenders of household debt. These indicators were disaggregated across various independent variables<sup>41</sup>, such as for the different population groups (IDPs, refugees, host communities), across governorates, for in- and out-of-camp households, for male and female-headed households, and across different levels of economic safety of a household (i.e. households with or without employment income, households with a small or a large monthly income, and household below or above the poverty threshold).<sup>42</sup>

#### Proportion of households in debt

Being in debt affects households of all population groups, regardless of in- or out-of-camp residency. In 2018, 73% of IDP households residing in-camp and out-of-camp nationwide reported being in debt when they were assessed for the 2018 MCNA.<sup>43</sup> In 2019, this figure rose to 80% of in-camp IDP households and remained at 72% for out-of-camp IDP households.<sup>44</sup> Roughly four out of five (79%) Syrian refugee households assessed in the 2018 MSNA reported being in debt. This figure was comparable to Iranian (78%) and Turkish refugee households (75%).<sup>45</sup> Fewer figures were available for host community households. However, findings from the 2019 MCNA suggest that this population group was less affected by debt than displaced communities and returnee households, as 42% of host community households reported being in debt. Roughly two out of three returnee households (68%) reported being in debt in the 2019 MCNA (see Figure 1).<sup>46</sup>

<sup>37</sup> Lebanon Cash Consortium (LCC), "Where's The Debt? Analysis of The Hidden Debt Network Sustaining Syrian Refugee Households in Lebanon", September 2015.

<sup>38</sup> Ibid. page 16.

<sup>39</sup> Ibid. page 12.

<sup>40</sup> Ibid. page 13-15.

<sup>41</sup> Depending on availability of these variables in the relevant datasets.

<sup>42</sup> This classification was used in the 2018 MSNA for Syrian, Iranian and Turkish refugee households. Households classified as 'above the poverty threshold' reported an income of more than 85,000 IQD or 70 USD per capita in the 30 days preceding the interview, while 'below the poverty threshold' classified household with less than 85,000 IQD or 70 USD per capita in the 30 days preceding the interview. 85,000 IQD or 70 USD per capita per month reflects the value of the Minimum Expenditure Basket in Iraq and is commonly used as an equivalent of the poverty threshold. See Cash Working Group (CWG), [Survival Minimum Expenditure Basket \(SMEB\)](#), June 2018. Accessed 4 March 2019. Note: The SMEB is currently under revision and might have a different value at time of reading this report compared to March 2019.

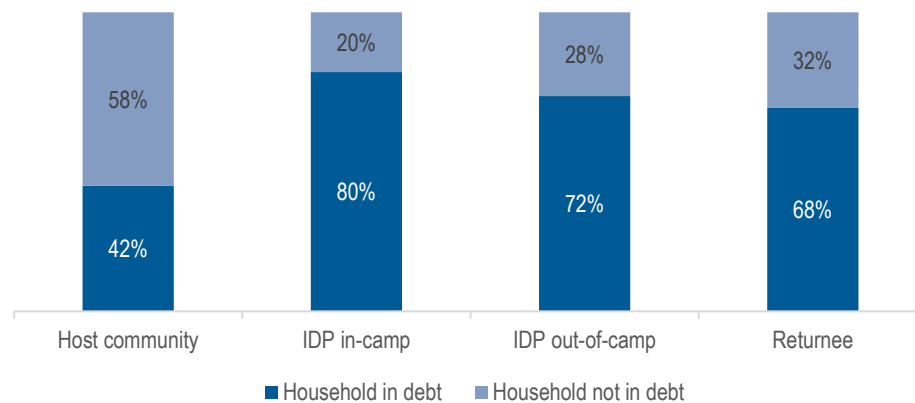
<sup>43</sup> REACH Initiative, [Multi-Cluster Needs Assessment 2018 Dataset \(MCNA 2018\)](#). Figures as of August 2018. Accessed 7 November 2019.

<sup>44</sup> REACH Initiative, [Multi-Cluster Needs Assessment 2019 Dataset \(MCNA 2019\)](#). Figures as of August 2019. Accessed 7 November 2019.

<sup>45</sup> IMPACT Initiatives, [Multi-Sectoral Needs Assessment 2018 \(MSNA 2018\)](#). Figures as of August 2018. Accessed 7 November 2019.

<sup>46</sup> REACH Initiative, [Multi-Cluster Needs Assessment 2019 Dataset \(MCNA 2019\)](#). Figures as of August 2019. Accessed 7 November 2019.

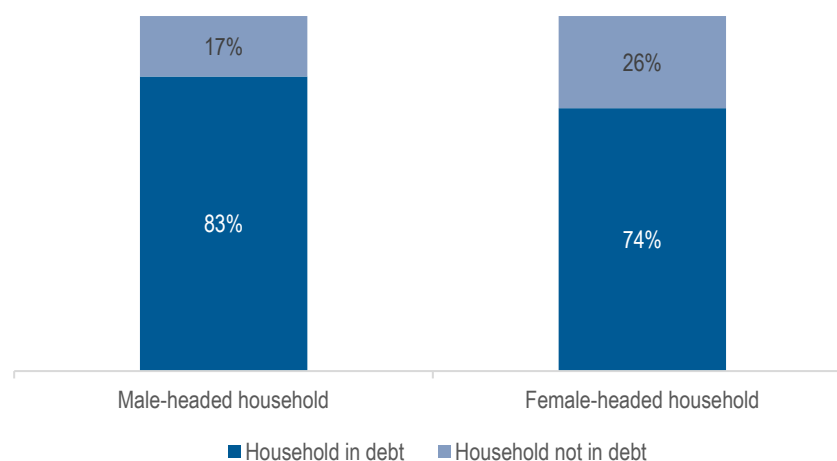
**Figure 1: Proportion of IDP, host community and returnee households reporting to be in debt by population group, as assessed in the 2019 MCNA**



Among UNHCR MPCA beneficiary households, the proportion of households in debt was slightly larger, as 81% of refugee and IDP households that received assistance in 2017 or 2018 reported being in debt at the time of the interview.<sup>47</sup> Considering these households were assessed as particularly vulnerable and in need of assistance, this larger figure suggests an increased reliance on debt for the most vulnerable households. However, keeping in mind the figures from other assessments with representative samples for the entire IDP and refugee communities, being in debt does not seem to be an exclusive characteristic of the most vulnerable households residing in Iraq.

Similarly, findings from previous assessments suggest that being in debt affects male- and female-headed households to a similar degree. For refugee households assessed in the 2018 MSNA, the proportion of households in debt was similarly large for male-headed (78%) and female-headed households (81%). Conversely, for beneficiary households receiving UNHCR cash assistance in 2017 and 2018, a slight difference in the proportion of female-headed (74%) and male-headed households (83%) could be established (see Figure 2). To better understand potential differences of impact and experience when taking on debt for men and women, 5 female FGDs and 30 IIs with female household members were conducted for this assessment.<sup>48</sup>

**Figure 2: Proportion of male- and female-headed IDP and refugee UNHCR cash beneficiary households of 2017 and 2018 reporting to be in debt, as assessed in UNHCR PDM from 2017 and 2018**



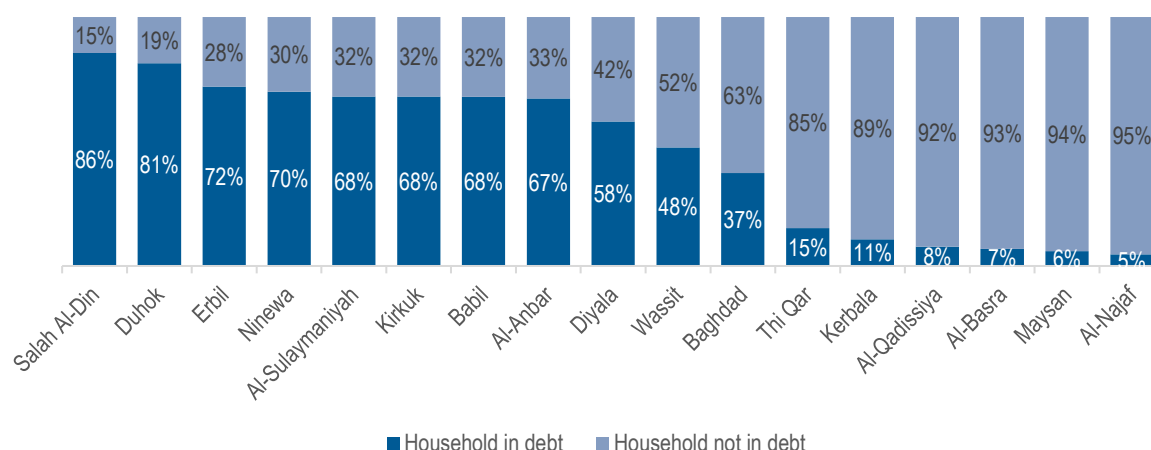
Differences in the prevalence of debt could be established across the different governorates in Iraq. Generally, the proportion of households in debt was larger in governorates in the north of the country, where the ongoing conflict

<sup>47</sup> IMPACT Initiatives, Post-Distribution Monitoring of UNHCR Cash Assistance from 2017 to 2018, compiled in February 2019 (unpublished). Accessed 7 November 2019.

<sup>48</sup> See section 'Debt and Gender' on page 29.

since 2014 has resulted in wide-spread displacement and enduring insecurity. Among these governorates were Al-Anbar, Salah Al-Din, Ninewa and Kirkuk, as well as the three governorates of the KR-I (Duhok, Erbil and Al-Sulaymaniyah), which host the large majority of Syrian refugees and many Iraqi IDPs. However, figures from the different assessments varied slightly for governorate-level data, and a larger-scale and comparable study on this subject remains to be conducted. For instance, in the 2019 round of MCNA, the range of households who reported being in debt went from 86% of households in Salah Al-Din to 6% of households in Maysan (see Figure 3).<sup>49</sup> These findings suggest households residing in the north of the country being disproportionately affected by debt.

**Figure 3: Proportion of IDP, host community and returnee households reporting to be in debt by governorate of residence, as assessed in the 2019 MCNA<sup>50</sup>**

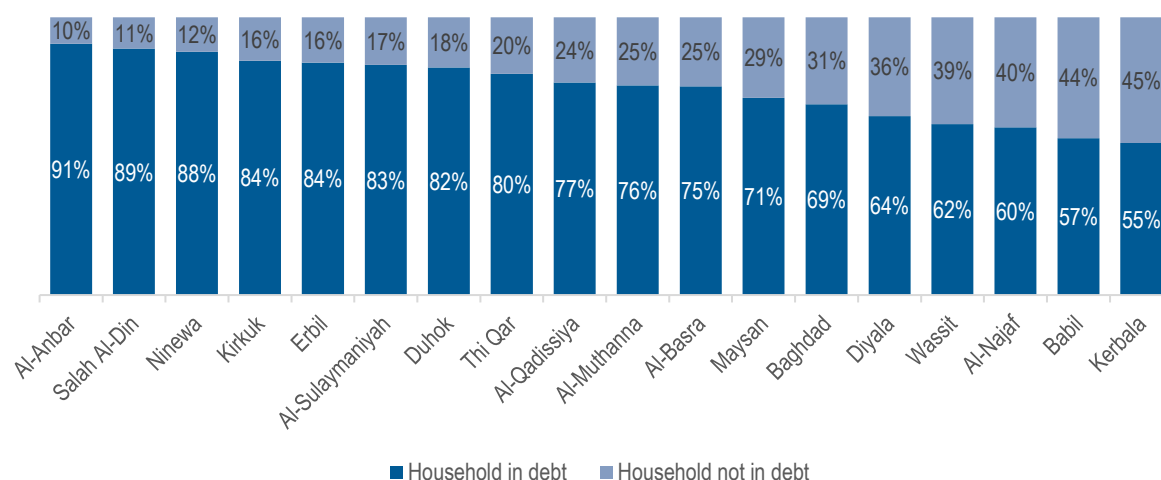


The majority of assessed refugee and IDP UNHCR cash assistance beneficiary households in all governorates reported being in debt (see Figure 4). For instance, the smallest proportion of households that reported being in debt was in Kerbala, where 55% of UNHCR cash beneficiary households reported being in debt. This figure was larger than for IDP, host community and returnee households assessed in the 2019 MCNA (see Figure 3 above). The difference could be explained by UNHCR cash assistance targeting more vulnerable IDP households, thus reported figures for households in debt would be higher nationwide, as being in debt suggest that regular income such as employment or pension were not sufficient for vulnerable households to cover their monthly expenditures.

<sup>49</sup> In the 2018 MCNA, 95% of households in Al-Najaf reported being in debt, while this was reported by 5% in the 2019 MCNA. Reasons for this distinct change of proportion of households being in debt could be that in 2018 MCNA, the sample population in Al-Najaf were out-of-camp IDP households, while in the 2019 MCNA sample for this governorate also included host community households, which reported lower proportions of households in debt nationwide. For this, see page 21.

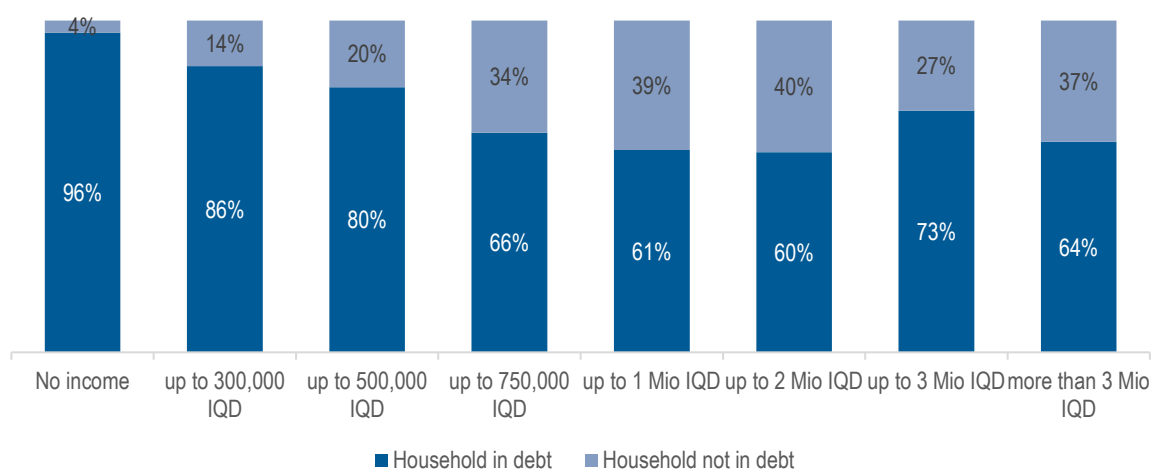
<sup>50</sup> Some findings add up to more or less than 100% due to rounding.

Figure 4: Proportion of IDP and refugee UNHCR cash beneficiary households from 2017 and 2018 reporting to be in debt by governorate, as assessed in UNHCR PDM data from 2017 and 2018<sup>51</sup>



One important distinguishing factor for the proportion of households which reported being in debt was the level of economic stability.<sup>52</sup> For instance, 86% of UNHCR MPCA beneficiary households with less than 300,000 IQD, or 250 USD, income in the 30 days before the interview reported being in debt, compared to 64% of households with more than 3,000,000 IQD, or 2,500 USD, in income (see Figure 5).<sup>53</sup>

Figure 5: Proportion of IDP and refugee UNHCR MPCA beneficiary households reporting to be in debt by income category, as assessed in UNHCR PDM data from 2017 and 2018



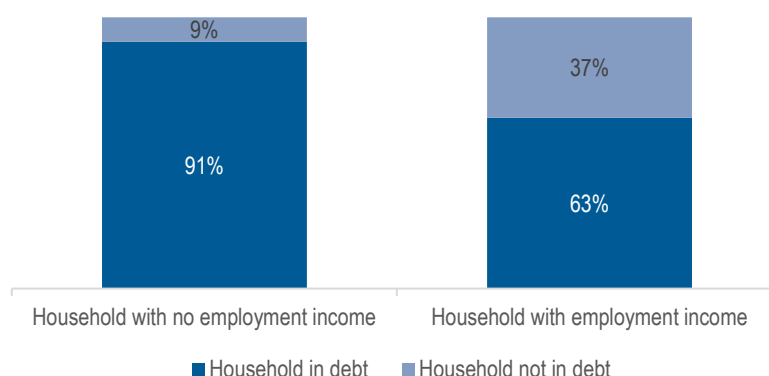
Similarly, 91% of households with no employment income reported being in debt in the 2019 MCNA, compared to 63% of households with employment income (see Figure 6). This suggests that while having access to income through employment decreases the likelihood of a household being in debt, it does not exclude households from taking on debt entirely. This could mean either that employment income was not enough to repay outstanding debt, or that employment income was not enough to cover recurring expenses, potentially leading to additional debt being accrued. The primary research of this assessment aimed to shed light on these issues.

<sup>51</sup> Some findings add up to more or less than 100% due to rounding.

<sup>52</sup> I.e. the amount of available financial resources, which was reported for the 30 days prior to interview for all consulted datasets.

<sup>53</sup> This calculation does not account for household size. Conversion from IQD to USD is based on the following conversion rate: 1 USD = 1,193.24 IQD, using XE currency converter. Accessed 21 January 2020. IQD figures are rounded to the next 5,000 IQD mark, USD figures are rounded to the next 5 USD mark.

Figure 6: Proportion of IDP, host community and returnee households reporting to be in debt, with or without employment income, as assessed in 2019 MCNA



### Average amount of debt

Similarly, the most noticeable differences in average amount of household debt could be seen between governorates, and to a lesser degree between different population groups. For instance, while the average amount of reported household debt in the centre and southern governorates of Al-Qadissiya, Thi Qar, Kerbala, Maysan, Babil, Al-Najaf and Wassit was lower than 1 million IQD, or 835 USD, in both the 2018 and the 2019 rounds of MCNA, households residing in the northern governorates of Ninewa, Salah Al-Din, Kirkuk, Duhok, Erbil and Al-Sulaymaniyah had total amounts of debt higher than 1 million IQD, or 835 USD, in these two assessments (see Table 4).<sup>54</sup> This supports the suggestion that the conflict-affected governorates in the north, and the governorates where IDP and refugee households were displaced to in large numbers, show larger proportions of households in debt and higher total amounts of debt. However, governorates in the south, while less directly affected by the conflict, still suffered from the economic consequences of the conflict and the general nationwide scarcity of job opportunities.<sup>55</sup>

Table 4: Average total amount of IDP, host community and returnee household debt per governorate [in IQD], as assessed in the 2018 and 2019 MCNA<sup>56</sup>

Governorate of residence	Geographic region of governorate	MCNA 2018	MCNA 2019
Ninewa	North	2,750,000	1,750,000
Al-Anbar	Centre	2,610,000	1,090,000
Duhok	North	2,350,000	2,535,000
Salah al-Din	Centre	2,250,000	2,680,000
Erbil	North	2,210,000	1,520,000
Kirkuk	Centre	2,100,000	1,950,000
Al-Sulaymaniyah	North	1,085,000	575,000
Baghdad	Centre	1,080,000	325,000
Diyala	Centre	1,010,000	715,000
Al-Najaf	South	690,000	25,000
Babil	Centre	590,000	480,000
Thi Qar	South	510,000	70,000
Kerbala	Centre	130,000	60,000

<sup>54</sup> Conversion from IQD to USD is based on the following conversion rate: 1 USD = 1,193.24 IQD, using XE currency converter. Accessed 21 January 2020. IQD figures are rounded to the next 5,000 IQD mark, USD figures are rounded to the next 5 USD mark. Applied throughout the report to all IQD and USD figures.

<sup>55</sup> World Bank, [Jobs in Iraq: a primer on job creation in the short-term](#). Published 25 June 2018. Accessed 26 January 2020.

<sup>56</sup> Al-Muthanna was not assessed in either the 2018 or 2019 MCNA.

Wassit	Centre	85,000	220,000
Al-Qadissiya	South	40,000	15,000
Maysan	South	20,000	30,000
Al-Basra	South	N/A <sup>57</sup>	330,000

As with the proportion of households in debt, figures for total amount of debt of UNHCR refugee and IDP MPCA beneficiary households were on average higher than for the nationwide assessments of Iraqi IDP, host community and returnee households such as the MCNA. For instance, the average total amount of household debt was above 1 million IQD, or 835 USD, in all governorates (see Table 5). These figures highlight that vulnerable households seem to be disproportionately affected by debt, and usually have a higher average amount of debt to be repay.

**Table 5: Average total amount of IDP and refugee UNHCR cash assistance beneficiary household debt per governorate [in IQD], as assessed in UNHCR PDM data from 2017 and 2018**

Governorate of residence	Geographic region of governorate	Average total amount of debt
Al-Anbar	Centre	2,915,000
Ninewa	North	2,575,000
Kirkuk	Centre	2,275,000
Al-Muthanna	South	2,185,000
Salah Al-Din	Centre	2,175,000
Erbil	North	2,100,000
Al-Basra	South	1,960,000
Maysan	South	1,935,000
Duhok	North	1,915,000
Al-Najaf	South	1,880,000
Thi Qar	South	1,880,000
Baghdad	Centre	1,845,000
Diyala	Centre	1,825,000
Wassit	Centre	1,800,000
Al-Qadissiya	South	1,795,000
Al-Sulaymaniyah	North	1,755,000
Kerbala	Centre	1,315,000
Babil	Centre	1,235,000

Concerning the differences between households of different population groups, findings from the different assessments offer varying figures. In the 2018 round of the MCNA, non-displaced households reported having higher average amounts of debt (2,760,000 IQD, or 2,310 USD) than IDP households in-camp (1,300,000 IQD, or 1,090 USD) and out-of-camp (2,250,000 IQD, or 1,880 USD). However, in the 2019 MCNA, host community households reported an average of 1,125,000 IQD, or 1,045 USD, of debt, which was lower than in-camp (1,335,000 IQD, or 1,115 USD) and out-of-camp IDP households (1,720,000 IQD, or 1,440 USD). Across all assessments, in-camp households reported smaller amounts of debt than out-of-camp households, suggesting higher expenses for these households (for instance to pay rent).

Among different refugee populations assessed in the 2018 MSNA Syrian refugee households reported the lowest average amount of total debt, with approximately 2 million IQD, or 1,675 USD, compared to Iranian (roughly 2.5 million IQD, or 2,095 USD) and Turkish refugee households (almost 4 million IQD, or 3,350 USD). Furthermore, Syrian refugee households assessed in the 2017 MSNA reported an average of roughly 1.5 million IQD, or 1,255 USD, which then increased 33% to the 2 million IQD highlighted above. These findings suggest that the amount

<sup>57</sup> Al-Basra was not assessed in the 2018 MCNA.



of debt increases with prolonged displacement. Further research, especially longitudinal studies on this topic, should provide more details on this issue.

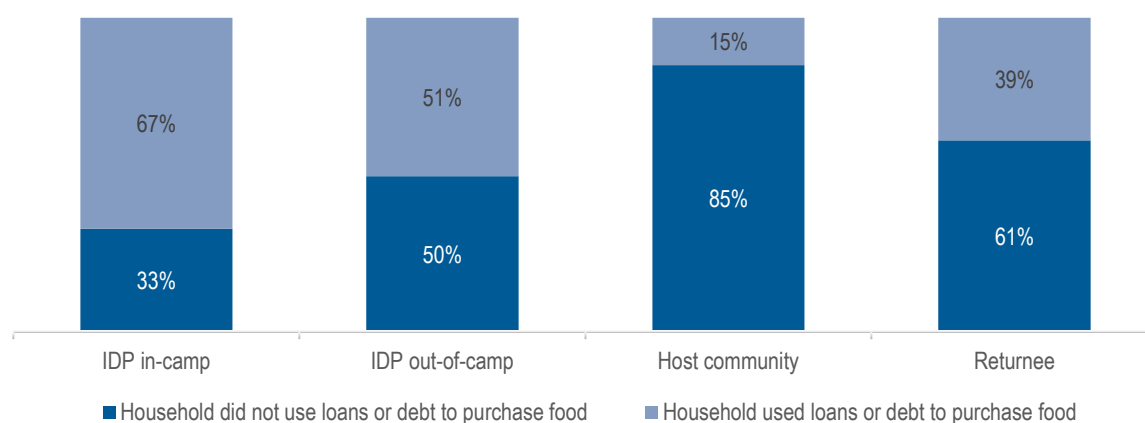
No clear trends could be established for gender-specific differences regarding the amount of total debt. While UNHCR MPCA beneficiary households headed by a female member reported a lower average amount of debt (1,740,000 IQD, or 1,455 USD) than male-headed households (2,185,000 IQD, or 1,830 USD), refugee households assessed in the 2018 MSNA reported juxtaposed findings. Female-headed refugee households reported an average of 2,935,000 IQD, or 2,455 USD in debt, while male-headed refugee households reported 2,070,000 IQD, or 1,730 USD.

Households below the poverty threshold<sup>58</sup> reported higher amounts of debt than households over this threshold. In the PDM of UNHCR cash assistance, households under the poverty threshold reported 2,245,000 IQD, or 1,875 USD, of total debt and households above the threshold reported 1,705,000 IQD, or 1,425 USD. Refugee households assessed in the 2018 MSNA showed similar differences in debt between households below the poverty line (2,495,000 IQD or 2,085 USD) and those above the poverty line (1,955,000 IQD, or 1,635 USD). This suggests that debt affects low-income households more than others, potentially due to less income being available to purchase basic needs items or the lack of income to repay outstanding debt.

### Use of taking on debt as a coping mechanism

Indicators measuring the use of debt as a coping mechanism largely mirrored findings presented in previous sections on the proportion of households that reported being in debt and the average reported amount of debt (see Figure 7). For instance, 2019 MCNA data showed that host community households less frequently reported using loans or debt to purchase food (15% of host community households reporting this) compared to in-camp IDP households (67%), out-of-camp IDP households (51%), and returnee households (39%). This suggests that, in line with lower average amount of debts among host community households as outlined above, the use of debt as a negative coping strategy was less popular than among displaced households. To better understand why this might be the case, the qualitative data collected for this assessment aimed to investigate the reasons more in-depth.

**Figure 7: Proportion of IDP, host community and returnee households reporting to use loans and debt to purchase food, as assessed in 2019 MCNA<sup>59</sup>**



Similar to reported averages of total debt, findings for the reported use of debt as a coping mechanism to purchase food varied observably between governorates in the north and in the south of the country. For instance, none of the households assessed in the 2019 MCNA in the governorates of Al-Qadissiya and Maysan reported using loans

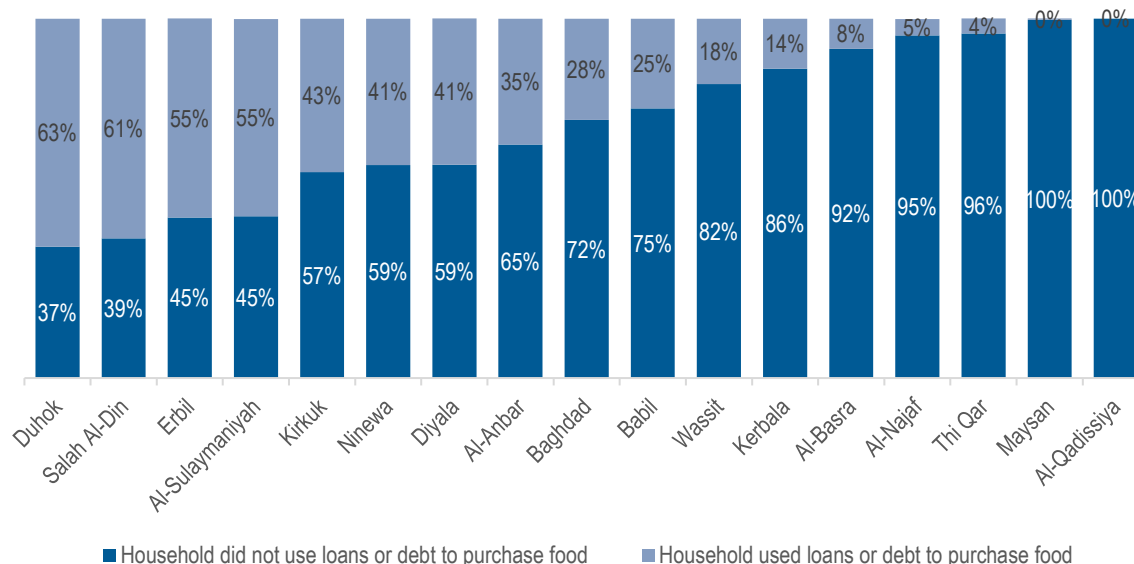
<sup>58</sup> This classification was used in the 2018 MSNA for Syrian, Iranian and Turkish refugee households. Households classified as 'above the poverty threshold' reported an income of more than 85,000 IQD or 70 USD per capita in the 30 days preceding the interview, while 'below the poverty threshold' classified household with less than 85,000 IQD or 70 USD per capita in the 30 days preceding the interview. 85,000 IQD or 70 USD per capita per month reflects the value of the Minimum Expenditure Basket in Iraq and is commonly used as an equivalent of the poverty threshold. See Cash Working Group (CWG), [Survival Minimum Expenditure Basket \(SMEB\)](#), June 2018. Accessed 4 March 2019. Note: The SMEB is currently under revision and might have a different value at time of reading this report compared to March 2019.

<sup>59</sup> Some findings add up to more or less than 100% due to rounding.



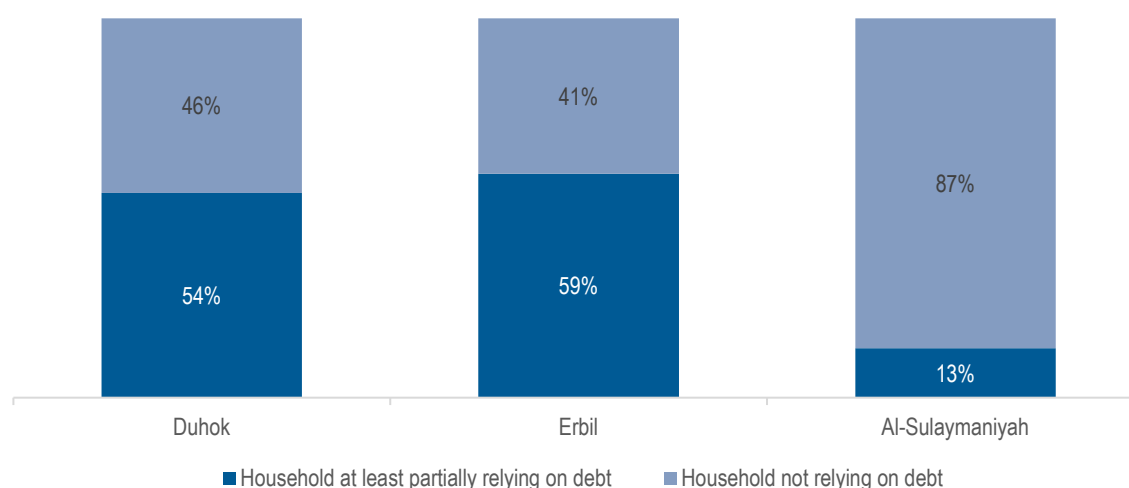
or debt to purchase food, while roughly three out of ten households in Duhok (63%) and Salah Al-Din (61%) reported this, representing the highest proportions nationwide (see Figure 8).

**Figure 8: Proportion of IDP, host community and returnee households reporting to use loans or take on debt to purchase food, as assessed in the MCNA 2019**



Findings from the MSNA 2018 suggest that for Iranian, Syrian and Turkish out-of-camp refugee households residing in the KR-I governorates, a difference could be established between the proportion of households that reported relying at least partially on debt in Erbil (59%) and Duhok (54%), which was noticeably higher than for refugee households residing in Sulaymaniyah (13%, see Figure 9).

**Figure 9: Proportion of out-of-camp refugee households reporting to rely at least partially on debt, as assessed in 2018 MSNA**



### Most frequently reported reasons for households taking on debt

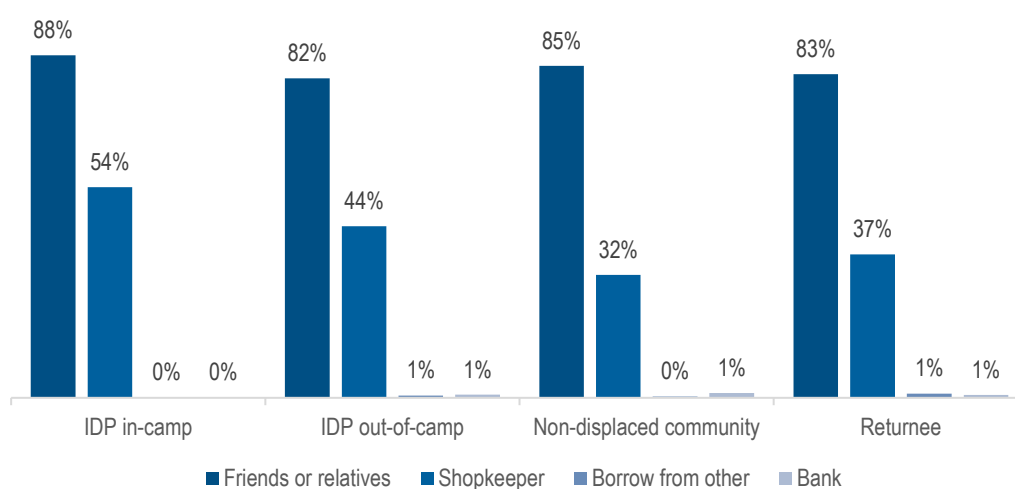
The most frequently reported reason for a household to take on debt was in order to pay for basic household costs, which was reported by 66% of host community households in the 2019 MCNA and 63% of Syrian refugee households in the 2018 MSNA. However, in-camp IDP households in both the 2018 and 2019 MCNA most frequently reported going into debt to purchase food. This could stem from the fact that in-camp households have

no rental expenses unlike out-of-camp IDP and refugee households, as well as host community households. Other frequently reported reasons for being in debt in the 2019 MCNA were healthcare costs (ranging from 12% to 18%) and, to a lesser degree, purchasing productive assets (ranging from 4% to 9%). For instance, the largest proportion of households (27%) assessed in the 2019 MCNA in the southern governorate of Thi Qar reported purchasing productive assets as the reason they took on debt.

### Most common lenders for debt

Most households in debt borrowed from family or friends, which was reported by at least four out of every five assessed households in the 2018 MCNA (see Figure 10). This was reported even more frequently by all refugee groups with more than 90% of households in debt borrowing from relatives or friends.<sup>60</sup> These findings are supported by the secondary literature and wide-spread presence of largely informal debt networks in Iraq and other countries of the broader Middle East.<sup>61</sup>

Figure 10: Most frequently reported lenders per population group, as assessed in 2018 MCNA



## 3.2. Primary Research Findings

This section of the report presents the main findings from the primary data collection of this debt study and is comprised of four sub-sections, comprising an overview of the status of debt in Iraq, the impact of debt on household vulnerability, the impact of multi-purpose cash assistance (MPCA) on debt, and on differences between population groups<sup>62</sup>, geographical regions<sup>63</sup> and gender. A total of 99 participants were interviewed for this assessment, of which 39 were FGD participants (19 female and 20 male)<sup>64</sup> and 60 were assessed through individual interviews (30 male and 30 female).

### 3.2.1 Status of debt in Iraq

This sub-section contains an overview on household debt (i.e. time period of debt, most frequently reported household's livelihood sources, most frequently reported reasons for households to take on debt, most frequently reported sources of debt, most frequently reported reasons for borrowing from certain sources, and change in relationship of people households are borrowing from) and challenges faced when taking on and repaying debt (i.e. most frequently reported conditions of taking on debt, most frequently reported problems faced when

<sup>60</sup> IMPACT Initiatives, [Multi-Sectoral Needs Assessment 2018 \(MSNA 2018\)](#), p. 34. Figures as of August 2018. Accessed 7 November 2019.

<sup>61</sup> Lebanon Cash Consortium (LCC), "Where's The Debt? Analysis of The Hidden Debt Network Sustaining Syrian Refugee Households in Lebanon", September 2015, p. 16.

<sup>62</sup> IDP, refugee and host community households

<sup>63</sup> North (Erbil, Duhok, and Mosul), Centre (Kirkuk and Baghdad), South (Maysan, Al-Qadissiya, Basra and Al-Najaf)

<sup>64</sup> Eleven additional FGD participants were interviewed in two additional FGDs, which were excluded from this analysis due to their in-camp residency.

borrowing money, most frequently reported sources of income used to pay back debt, the priority of paying back debt compared to other expenses, and most frequently reported challenges when repaying debt).

## Overview of debt in Iraq

Reported dates of first taking on debt varied widely among FGD and II participants. While many refugee and IDP participants referred to their displacement as the starting point of being in debt, some of these households specifically reported already having taken on debt before being displaced to their current location. Often, the participants reported taking on debt once (12 of the FGD participants and 27 of the II participants), however, around a third of all FGD participants (17) reported taking on debt regularly or at least monthly. Similarly, almost half of all II participants (26) reported having taken on debt three times or more. This suggests that the frequency of taking on debt varied depending on the individual household's situation and needs, and not on belonging to a certain population group or residing in a certain location. However, more female II participants reported taking on debt more than three times, in total ten female II participants compared to one male II participant, suggesting a link between the frequency of taking on debt and the amount being borrowed at the time (for instance taking on smaller amounts in the shops).<sup>65</sup>

Employment was most frequently being reported as a livelihood source (22 FGD participants and 49 II participants), but this was not considered to be a regular and secure source of income for the majority of them (14 FGD and 38 II participants of all 71 participants reporting employment as income source). This suggests a certain level of income vulnerability, which was supported by 17 participants reporting taking on debt as an important financial source to cover expenditures. IDP and host community households, unlike their refugee counterparts, reported pension as a livelihood source (6 FGD and 7 II participants). Further, nine FGD participants reported partially relying on support from their family, while two FGD participants reported using savings. This suggests that while employment was accessible, it often did not suffice to cover all necessary expenditures.

Similar to findings from secondary data, FGD and II participants most frequently reported basic needs such as rent (37 participants), food (32 participants) or utilities (16 participants) as the reasons for taking on debt. Another often reported cost to cover by taking on debt was healthcare, which was reported by 51 participants. Larger expenses, such as shelter maintenance or building a shelter (20 participants), as well as purchasing productive assets (13 participants), were also reported. For instance, one female host community member in Duhok reported her household purchased a car to use as a taxi to generate income. For this, both her husband and her took on debt. Another male refugee participant residing in Duhok reported taking on debt to enable his children to travel to Europe. However, in the end this plan did not work out, but his household has been paying off the debt ever since. One female IDP participant residing in Baghdad reported taking on debt to be able to flee ISIS.

Findings from the FGDs and IIs regarding the main lenders of money were similar to findings from secondary data reviewed in the previous section. Immediate family (26 participants), extended family such as uncles, aunts or cousins (38) and friends and neighbours (44) were most frequently reported as the source for taking on debt. Another frequently reported source of debt was shop owners, as cited by 27 participants. Merely five participants reported borrowing from formal institutions and two participants took on debt from their employer.

The reasons for why participants decided to borrow from family or close friends were most frequently the relationship being described as long and strong in nature, which favoured a high level of trust. Two households also reported the high degree of flexibility to pay back debt when borrowing from family, which also applied to borrowing from shop keepers. On the contrary, three of the five participants that reported borrowing from formal institutions reported that the high amount they needed was only available in this type of lender. This was also supported by participants of the male refugee FGD in Erbil, which pointed out that there was not a high amount of money available from frequent sources such as friends and family, which made taking on debt difficult.

Participants of the refugee FGDs in Erbil and Duhok (male and female) reported that they almost exclusively relied on other Syrian refugees as sources for their debt. One participant of the female refugee FGD in Erbil stated that Iraqi shop owners were the only non-Syrian people they borrowed from. As a reason for not borrowing from Iraqi community members, the participants of that same FGD reported lack of trust of the Iraqi host community in the Syrian refugee population. Further, FGD participants often reported asking people that were known to have a

<sup>65</sup> See page 31 for findings on debt and gender.

stable income to borrow from them. One female participant of the female refugee FGD in Duhok reported borrowing from friends because “they were in the same situation and understood the situation well”<sup>66</sup>.

Most of the participants reported that the relationship with the lender remained stable (58 II and 28 FGD participants), while 13 participants reported the level of trust decreasing. The reasons for this were mostly due to not being able to repay the outstanding amount of debt, which then was also reportedly affecting future borrowing negatively. One female refugee participant residing in Duhok reported that not being able to repay debt could lead to family ties breaking, while another participant in the same group reported that shop owners would become rude if they were not able to repay in time. One female refugee residing in Duhok reported that her husband wished to change his job, but due to outstanding debt with the employer, he was not allowed to quit.

Building on the findings from the SDR stating that the debt network in Iraq is largely informal<sup>67</sup>, participants in FGDs and IIs conducted for this assessment reported that there was no formal condition such as a collateral to take on debt. Most participants reported verbal agreements with the lender to be the basis to take on debt, with 21 FGD and 58 II participants reporting this. Twelve FGD participants and four participants of the IIs reported having a written agreement with their lender, five of which borrowed from formal institutions. Written agreements were also reported by some of the participants borrowing from shop keepers, who would write down the amount owed by each of their customers. Three FGD participants reported having witnesses to vouch for the agreement. Almost half of all FGD participants (17) further reported trust to be a condition to borrow, which was supported by the vast majority of households that reported trust being the reason why they would borrow from family or close friends. One female refugee participant residing in Duhok reported that her husband would have his salary cut in case he could not pay back the debt taken by this person.

### Challenges faced when taking on and repaying debt

Generally, FGD participants reported that borrowing money was difficult for them, due to the psychological effect that having to ask for money had. Among the most frequently mentioned reasons why taking on debt was difficult were:

- the lack of regular income to repay debt,
- being ashamed to ask someone for money,
- not being able to pay back so people did not want to keep lending,
- the difficulty to borrow big amounts of money, as no one familiar to them would have such an amount to spare, and
- young people being perceived as less trust-worthy than older members of the community and thus facing issues when trying to borrow.

Additionally, Syrian refugees perceived their situation to be more difficult than for host community members, so it was mentioned that they only go to other Syrian people to ask for money. As mentioned previously, the only exception were Iraqi shop owners. The reason given for this was perceived discrimination from the host community. One example of such a perceived discrimination was one female participant’s husband having proven skills as an Arabic teacher in Syria, but he was reportedly rejected from the education institution he applied for, on the basis that he was Syrian. Participants of a female IDP FGD in Erbil mentioned that it was known within their community that everyone was in the same situation and that no one was able to lend money, which constituted an obstacle for them to access debt when necessary.

The most frequently reported source to repay debt was employment (23 FGD and 46 II participants). However, the majority of households with employment as a livelihood source reported that this was not regular income<sup>68</sup>, which underlined that 28 participants reported taking on more debt to repay older debt. Another way of repaying debt was to use coping mechanisms such as accepting donations (reported by ten participants), relying on humanitarian

<sup>66</sup> Participant in Female Refugee FGD in Duhok, 18 December 2019.

<sup>67</sup> See page 15.

<sup>68</sup> See page 24.

assistance (eight), reducing expenditures (five), limiting participation in community events to save money (five), spending savings (four), or not repaying debt at all (two).

Rent was reported to be a priority need for 36 participants, followed by children's needs (5 participants), daily expensed such as food and utilities (11 participants), health care (7 participants) and education (5 participants). While a minority of FGD participants reported debt repayment to be their first priority (7 participants), this was reported to be the first priority by 54 and as a second priority by 5 of the II participants. This large difference could be due to different phrasing of the question, as FGD enumerators asked more generally on priorities for the households, while the IIs enumerators asked if repaying debt was the main priority for the participant, which could potentially have led to a response-bias towards overstating the importance of wanting to repay debt.

Lack of regular income was the most frequently reported challenge households faced when trying to repay debt, as reported by 81 of the 99 participants. This finding was supported by participants discussing that lack of employment opportunities and lack of work for household members employed as daily workers were the biggest challenge they faced. Additionally, high regular expenses were reported by 37 participants. This was stressed by Syrian refugee FGD participants, who reported that costs in the KR-I were much higher than in their area of origin in Syria. For instance, two participants mentioned that they owned a house in Syria and thus did not have to pay for rent. This expense in the KR-I was a considerable increased expense, which could hardly be covered by the scarce income available in their current location. A third challenge to repaying debt were high emergency costs (such as healthcare), as reported by 18 participants.

### 3.2.2 Impact of debt on household vulnerability

This sub-section comprises of the following findings: Impact of debt on household's economic situation (i.e. overview of household's economic situation and most frequently reported reasons how debt affects household's economic situation), the relationship between debt and other coping mechanisms (i.e. most frequently used coping mechanisms, prevalence of households that reported taking on debt as primary coping mechanism, and perceived impact taking on debt has on household's well-being compared to other coping mechanisms), the relationship of debt and gender (i.e. perceived difference in level of ease accessing debt as a woman or man and perceived feeling of unease because of being in debt) and the relationship between debt and displacement<sup>69</sup> (i.e. change in level of debt before and after displacement and most frequent types of impact being in debt has on the decision of a displaced household to move back to area of origin).

#### Impact of debt on household's economic situation

Generally, participants described their household's economic situation as insecure. For instance, of the 21 participants stating that their household was able to cover their monthly expenses, 18 of them said they could only do so by using coping mechanisms such as reducing expenditures. Solely four households reported feeling financially safe in case of emergencies, for instance in case of health issues or maintenance of their shelter. Sixteen households reported having a regular income, 11 of which were host community members and 5 were IDP households. Twelve participants perceived to have at least one member with an adequate job in the household, but three of them (all Syrian refugees) reported that there was not enough work for their job to be sufficient to cover their expenses.

Reasons how being in debt affected a household's economic situation could be split into two categories: economic and psychological reasons. The first contains reported responses such as reducing expenses to pay off debt (32 participants), households not being able to cover all costs because they have to repay debt (30 participants), not being able to afford medical treatment (15 participants), not being able to move to a different house or take on a different job because of repaying debt (10 participants) or having to move to a cheaper accommodation (1 participant). Additionally, one participant of the male refugee FGD in Duhok stated that being in debt prevented him from proactively planning his future, for instance to make investments in productive assets to help him generate income. Psychological reasons were reported by many households, such as psychological stress because of having to repay debt (23 participants), not being able to engage in social activities to save money (10 participants), insecure future of children because of debt, for instance not being able to send children to school (9 participants),

<sup>69</sup> These questions were only asked to IDP and refugee participants.

social pressure (6 participants), insecure future because of having to think of repaying debt (5 participants) and family fights (associated to debts) which affect children well-being (5 participants). Lastly, two IDP households reported that they had to send their children to work to make money to repay debt.

### Debt and the use of other coping mechanisms

None of the participants reported not using any other coping mechanism in addition to taking on debt (see Table 7). Most frequently, households reported reducing essential non-food or basic needs expenditures (52) or limiting portions at mealtime (32). Remarkably, ten households reported that they sent their underaged children to work. This was significant as usually figures for child labour go underreported and rarely reach higher than 4%, as reported in the MSNA 2018.<sup>70</sup>

Table 6: Reported use of coping mechanisms, per FGD and II participant group

Coping Mechanism	# of FGD participants reporting using this mechanism [n =39]	# of II participants reporting using this mechanism [n = 60]	# of participants reporting using this mechanism [n = 99]
Reduce essential non-food or basic needs expenditures	34	18	52
Limiting portions at mealtime	4	28	32
Donations	0	12	12
Sending children to work	5	5	10
Seek or rely on aid from humanitarian organisations	9	0	9
Moving to less adequate shelter	5	1	6
Savings	5	0	5
Restricting portion size of adults	4	0	4
Selling households items or asset	2	0	2
Skip paying rent	1	0	1
No other coping mechanisms used	0	0	0

Of all 99 households assessed, only 15 reported considering debt as their primary coping mechanism. For instance, participants of the female IDP FGD in Erbil reported that they would rather try to find cheaper alternatives, such as healthcare and food, before taking on debt to cover these costs. One female refugee participant in the FGD in Duhok reported preferring to sell gold and another participant reported sending their children to work. This, in addition to statements made throughout the FGDs that being in debt took a toll on their psychological state and caused tension in their households (as reported by five participants), suggest that while being in debt was widespread, households often saw this coping mechanism as a last option to use.

Participants of the FGDs reported different levels of impact that taking on debt had compared to other coping mechanisms. For instance, 13 of households reported reducing their essential expenses and found this coping mechanism to have a higher impact on their household's well-being, while 10 households reported the impact of this coping mechanism being lower, and eleven found no difference in the impact of the two coping mechanisms. Of the 32 households that reported reducing their portion size at mealtime, 7 reported a higher and 25 a lower negative impact of this coping mechanism on their household's well-being when compared to taking on debt. Further, six households that reported relying on humanitarian aid reported this coping mechanism having a higher negative impact on household's well-being than being in debt. For the ten households that reported having a child working, three reported that this weighted higher and two that it had a lower negative impact on their household's well-being. Four households did not find a difference of impact between children working and taking on debt.

<sup>70</sup> IMPACT Initiatives, [Multi-Sectoral Needs Assessment 2018 \(MSNA 2018\)](#), p. 6. Figures as of August 2018. Accessed 7 November 2019.

## Debt and gender

Perceptions on if it was easier for men or women to take on debt varied. Mostly, participants of FGDs reported that this depended on the amount and the type of lender that was asked for money. For instance, participants of the female FGDs reported that it was easier for them to borrow money for food from shop keepers. This was both due to them being the ones in charge of grocery shopping, but also because it was easier for them to ask to buy food on credit than for men. This was mostly reported to be due to men “feeling shy”<sup>71</sup> to ask for money. Further, as reported by participants of male IDPs in Erbil, it was sometimes easier for them to send their wives to ask for money, as “relatives or shop owners will give women more because they are ashamed to not help them.”<sup>72</sup> A participant in the female IDP FGD in Erbil stated that “women had a more open relationship with brothers and sisters, so it was easier to talk to them [about taking on debt].”<sup>73</sup>

During the FGDs, 35 participants (of which 20 were male and 15 were female) reported it was easier for women to borrow, while 13 (4 male and 9 female) reported it was easier for men to borrow. The overlap of number of participants could be explained by the above-mentioned statement that the level of ease depended on the amount and type of lender. However, for large amounts, participants often mentioned that it was easier for men to borrow money. For instance, participants in the male refugee FGD in Duhok reported it was easier for men “because men are responsible for the money in the house and because the men are the ones earning the salary and are thus responsible to pay back too”<sup>74</sup>. In the individual interviews conducted by phone call from Baghdad, 57 of 60 participants perceived it to be easier for men to borrow money. The reported reasons for this were the community having more trust in men (24 participants) and it being easier for men to find work than for women (33 participants).

More FGD participants than ID respondents reported feelings of unease because of being in debt. For instance, ten participants in FGDs reported feeling physically unsafe because of not being able to repay debt, while none of the ID participants reported so. The reported reasons for perceiving to be unsafe were mostly having heard stories from other families about physical threats to them because of being in debt. However, one participant of the female refugee FGD in Erbil reported that the farmer they bought chickens on credit from for their store, came to collect all the productive assets of their shop while threatening and verbally abusing the couple. Another participant of the female refugee FGD in Duhok reported that “a shopkeeper came to [their] home and used bad words because we were not able to pay back”<sup>75</sup>. Seven participants reported that they had verbal disagreements with lenders, for instance two female host community members from Kirkuk, because of delay in repaying debt. Further, Syrian refugee women reported that “some people sell their house and stuff, even back in Syria, to pay back debts to avoid disputes.”<sup>76</sup>

## Debt and displacement

Questions on the relationship of debt and displacement were only asked to IDP and refugee participants. Of these households, 55 households reported having more debt after having been displaced, 3 reported the same amount and 1 household reported having less debt than before displacement. For instance, Syrian refugee participants reported that rent and other expenses were cheaper in Syria. One female refugee reported that her household had “no debts back in Syria, here [Erbil] it is more expensive, so we have to take debts. We used to live in our own house in Syria and not have to pay for rent.”<sup>77</sup> Another participant of the female IDP FGD in Erbil reported that her household used to participate in savings groups before ISIS as they had regular income and took some debt, for example to build a house. However, since being displaced, “they are not part of the savings group anymore because they don’t have a regular income and it is difficult to make monthly payments to the savings group.”<sup>78</sup>

About one third of all displaced participants reported that being in debt affected their decision to return or stay in their current location (16 participants). All but one of these households reported that they still had to pay off outstanding debt in their current place of residence. For instance, one female refugee participant in Erbil reported

<sup>71</sup> Participant in Female Refugee FGD in Erbil, 10 December 2019.

<sup>72</sup> Participant in Male IDP FGD in Erbil, 10 December 2019.

<sup>73</sup> Participant in Female IDP FGD in Erbil, 10 December 2019.

<sup>74</sup> Participant in Male Refugee FGD in Duhok, 18 December 2019.

<sup>75</sup> Participant in Female Refugee FGD in Duhok, 18 December 2019.

<sup>76</sup> Participant in Female Refugee FGD in Erbil, 10 December 2019.

<sup>77</sup> Participant in Female Refugee FGD in Duhok, 18 December 2019.

<sup>78</sup> Participant in Female IDP FGD in Erbil, 10 December 2019.

that they could not leave to go back to Syria because “they will be called thieves if they go back without paying back the debt and they don’t want to risk their reputation.”<sup>79</sup> Another female Syrian refugee in the same FGD reported that because they borrow from other Syrians, often from previously existing networks, they could not “escape debt, even back to Syria” and that “it’s also their responsibility to pay the debt, otherwise it might affect other fellow refugees.”<sup>80</sup>

However, 41 participants reported being in debt did not affect their decision to stay or leave. Eleven households reported being in debt was not a factor in their decision-making to return. For 13 participants, who reported having taken debt from friends or family, state that this relationship was not affected by the location of residence and they would also repay them from a different location. One female IDP participant in Erbil stated that “the debt kind of moves with them as they borrow from family”<sup>81</sup>. For 16 participants, moving back to the area of origin was not possible due to security concerns or other obstacles to return. For instance, a participant of the female IDP FGD in Erbil reported that their village was completely destroyed and that they feared health risks for their children because of previous chemical warfare in the village. One female IDP participant residing in Al-Najaf at the time of the interview reported that she had settled down in the new place and would not move back to her area of origin. These findings suggest that debt played a smaller role in the decision to return when compared to the state of the place IDP or refugee households would return to.

### 3.2.3 Debt and multi-purpose cash assistance (MPCA)

This sub-section highlights findings on the relationship between MPCA and debt (i.e. most frequently reported type of impact receiving MPCA has on level of debt of household, most frequently reported reasons why households chose to spend MPCA on debt repayment instead of on something else).

A total of 27 participants reported having received MPCA at any point and from any organisation. Slightly less than half of them reported having received winter cash assistance (13 of the households that received MPCA). Of these MPCA recipients, 14 reported that the assistance had an impact on their household debt. Of the 13 households that did not perceive the assistance to have an impact, they reported the assistance not being enough to repay debt. Contrary to this, all 14 MPCA recipients reported using at least one part of the assistance to repay outstanding debt. One participant who used 1 Million IQD, or 840 USD, of his MPCA for this purpose reported that repaying debt was a priority for his household. Another participant reported using half of his assistance to repay debt, and the other half to pay for basic needs, which he valued as the same priority. This suggests that cash assistance, even if intended for a specific purpose, had reportedly been used to alleviate some of the burden of repaying debt by the receiving households.

### 3.2.4 Differences between population groups, gender and location of residence

This sub-section highlights observed differences of being in debt and of the impact of debt based on population group, gender of the respondent and the location of residence.

As outlined in the previous section, host community households less frequently reported being in debt in the 2019 MCNA, with 42% reportedly being in debt, compared to 80% in-camp IDP and 72% out-of-camp IDPs. In the 2018 MSNA, 79% of out-of-camp refugee households reported being in debt. As one of the selection criteria for the FGDs and II participants was to hold debt at the time of the interview, these figures cannot be supported by findings in this report.

Only host community members reported borrowing from formal institution (five, of which three resided in Maysan and two in Duhok). In all refugee FGDs in Erbil and Duhok, participants reported that refugee households either did not know of institutions providing loans for refugees, or that they needed to provide documentation they did not possess or had to prove to have a certain amount of savings which they did not have. Further, refugee and IDP participants more frequently reported taking on debt for the purpose of basic household needs such as rent, as reported by 15 IDP participants and 13 refugee participants, compared to 8 host community households. IDP

<sup>79</sup> Participant in Female Refugee FGD in Erbil, 10 December 2019.

<sup>80</sup> Participant in Female Refugee FGD in Erbil, 10 December 2019.

<sup>81</sup> Participant in Female IDP FGD in Erbil, 10 December 2019.



households also more frequently reported having taken on debt to pay for healthcare needs (24 IDP participants, compared to 12 refugee and 12 host community households). On the other hand, host community participants reported taking on debt for investments, such as for productive assets (eight host community participants, two IDP and three refugee participants), or shelter maintenance and building a house (16 host community households, 4 IDP and no refugee participants). This suggests that displaced households might more frequently need to rely on debt to cover basic costs such as rent and utilities, while host community households would take on debt to invest in bigger projects or means to generate an income. For instance, one female participant in the Duhok host community FGD stated that her husband purchased a car on debt to use it as a taxi.

As outlined in the gender and debt section above, some differences in the relationship to debt could be seen between men and women. For instance, of all the participants of the IIs, ten women reported not having employment as an income source, compared to none of the men reporting this, suggesting a greater reliance of women on other means of income and possibly coping mechanisms to cover their monthly expenses. For instance, six women reported relying on donations of friends or family, compared to one man reporting this. As has been reported by one participant in the female IDP FGD in Erbil, borrowing from family was easier for women. This was supported by female and male participants who have borrowed money before from family and relatives.

As previously discussed, households in the northern and central governorates more frequently reported being in debt according to different assessments.<sup>82</sup> Findings from this study were inconclusive when compared to data from previous assessments indicating that households in the northern and central governorates more frequently reported being in debt. However, in the FGDs and IIs, observable differences between the three regions remained minor, suggesting that the impact of being in debt might not vary on the location of residence. However, this could also be because of methodological differences between previous reports and this assessment.<sup>83</sup> Participants in the southern and central government more frequently stated that borrowing was easier for men than for women (45 of the 48 participants interviewed in these locations), compared to 25 of 51 participants in Mosul, Dohuk and Erbil. This might suggest that women in the northern locations feel more empowered to take on loans themselves, while women in the southern and central governorates might feel like relying more on their husbands or male relatives to be able to borrow. Reported use of child labour as a coping mechanism was not observable in the southern locations, but in two instances in Baghdad (centre) and eight instances in the northern locations (four in Duhok, three in Mosul, and one in Erbil). A larger scale assessment with the sole aim of assessing differences in governorates could potentially yield more conclusive findings on this question.

Overall, observed differences were minor and would need to be studied more in-depth to establish trends and to better understand the differences in the experience of what being in debt means for the different population groups, for men and women, and for people residing in different governorates.

<sup>82</sup> See page 18.

<sup>83</sup> For instance, different data collection methods (FGDs compared to household surveys), different sampling methods (purposive and indicative compared to statistically representative sampling), different population of interest, etc.

## 4. Conclusion

Previous assessments and studies have found that being in debt was a wide-spread phenomenon in Iraq and that, more often than not, the structure and borrowing relationships were of an informal nature. The research objective of this study was to better understand how debt and borrowing affects socio-economic security and overall household vulnerability for IDP, refugee and host community households in the KR-I and IDP and host community households in federal Iraq.

Overall, participants in this study frequently reported that they needed to take on debt to make up for the **lack of regular and secure employment**. While most of the participants reported employment as a livelihood source, a majority of them stated that this was not regular and not secure. This was supported by findings from other assessments, which showed that while being in debt was more frequently reported by households with no income generated through employment, even households with such an income frequently reported being in debt.<sup>84</sup> These findings suggest that **employment might be available, but it was not sufficient and could often not prevent a household from having to take on debt to come up for daily or emergency expenses**.

Host community, IDP and refugee households all overwhelmingly borrowed from friends and family and, more often than not, relied on verbal agreements and trust. Participants cited **trust being the foundation of any borrower-lender relationship and allowing them to have a more flexible timeline to repay their debts**. This wide-spread reliance on family and friendship ties supports previous findings of the **highly informal nature of the Iraqi debt network**. This informal type of lending relationships was mirrored in findings on the interlinkages of debt and displacement. Displaced households frequently reported being in debt did not affect their decision to return to their area of origin. This was mostly due to the area not being secure to return, but also because their debt was taken on by relatives or close friends.

As for impact debt had on the household's socio-economic well-being, participants frequently stated that having to repay debt forced them to use coping strategies. For instance, **cutting costs by limiting portion size at mealtimes or reducing essential expenditures were commonly reported**. Moreover, participants stated that using these coping mechanisms had a lower impact on their well-being than taking on debt, as **taking out loans would be the last option to be used**. Further, participants reported that being in debt prevented them from investing in productive assets that would be an important source of income generation. Overall, the **constant knowledge of their debt affected the participants on a psychological and economic level**.

Participants that reported receiving MPCA stated to **use some of the assistance to repay outstanding debt**. However, most of them also stated that the amount was not enough and other expenses were covered instead of repaying debt (mostly winter-specific needs as the majority of interviewed participants received winter cash assistance, but also other basic needs).

Unlike in the findings from secondary data analysis, differences between the different assessed locations were minor and suggest that the reliance on and impact of debt were experienced similarly nationwide. **One difference could be established regarding the perceived advantage men or women would have to take on debt. Borrowing was perceived to be more difficult for women in centre and south locations in Iraq**. However, participants in the northern locations, particularly in Erbil and Duhok, reported that this depended on the amount and the lender. For instance, many participants agreed that **borrowing from family was easier for women, as women were reported to be closer to their relatives and there was more trust**. Host community households more frequently reported using debt to finance investments such as purchasing productive assets, while IDP and refugee participants reported using debt to pay for regularly occurring expenses such as rent or food.

Overall, stories of participants of all three population groups assessed stressed the **importance of regular employment to be able to not take on debt and to repay outstanding amounts they had taken on** for various purposes. Overwhelmingly, **being in debt affected the households on a psychological level and prevented them from focussing their scarce resources on daily expenses and future investments, and instead led them to worry about how to repay outstanding debt**.

<sup>84</sup> See page 19.